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BOARD of SUPERVISORS

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NOTICE OF PUBLIC HEARING

FINANCE AND AUDITS COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN to the general public that the Finance and Audits Committee will hold a public hearing on **July 9, 2003 at 12:30 p.m.,** in Room 263 at City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, California to consider the following:

File: 031104 Ordinance amending the Municipal Elections Code, Section 830 to require that the Controller set the fees for publication of ballot arguments in the Voter Information Pamphlet, and establish criteria for setting this fee so that the fee approximates but does not exceed the actual cost of publication.

This legislation authorizes a fee to be determined by the Controller, for publication of ballot arguments in the Voter Information Pamphlet replacing the previous filing fee of $200 plus $2.00 per word.

Data in support of the proposed fee is available in the above-mentioned file of the Clerk of the Board of Supervisors ten days prior to the hearing.

For more information regarding the above, telephone (415) 554-5184 or write to Clerk's Office, Board of Supervisors, Room 244, City Hall, San Francisco, CA 94102.

Persons who are unable to attend the hearing may submit written comments regarding this matter prior to the beginning of the hearing. These comments will become part of the official public record.

Gloria L. Young, Clerk of the Board

POSTED: 6/26/03

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[All Committees]
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City and County of San Francisc
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake M

Clerk: Linda Laws

Wednesday, July 09, 2003 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

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MEETING CONVENED

The meeting convened at 12:38 p.m.

REGULAR AGENDA

021948 **[Repealing Police Code Section 162 - Regulating Fortunetellers]**

Supervisor Peskin

Ordinance repealing Section 162 of the San Francisco Police Code relating to advertising by fortunetellers; adding Sections 1300 to 1321 to the San Francisco Police Code requiring fortunetellers to obtain a permit, setting forth permit procedures, regulating business by prohibiting deceptive acts and requiring receipts, rate schedules, and identification cards, requiring permit number on advertisements, allowing license inspections, and setting forth the penalty for violations of these sections; and amending San Francisco Police Code Section 2.26 and 2.27 setting forth permit and license fees.

11/25/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 12/25/2002.

2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

5/31/03, 6/07/03 Fee ad publication dates

6/5/03, REFERRED TO DEPARTMENT Transmitted to Planning Department for environmental review.

6/12/03, RESPONSE RECEIVED. Non-physical exemption from CEQA Sections 15060(c)(3) and 15378.

6/18/03, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Supervisor Peskin submitted an Amendment of the Whole bearing same title.

6/18/03, AMENDED. Heard in Committee Speakers: Terence Hallinan, District Attorney; Laurel Pallock, District Attorney's Office; Captain Thomas O'Neill, Inspector Greg Ovanession, Inspector Tom Feledy, SFPD; Female Speaker; Female Speaker; Robert McCarthy, McCarthy and Schwartz; Margaret Baumgartner, Deputy City Attorney; Debra Stein, GCA Strategies; Tayler Bayer; Male Speaker; Christopher Hall; Frank D'Alfonsi; Daniel Frattin, GCA Strategies; John Kennedy, Deputy City Attorney

6/18/03 Amendment of the Whole further amended in Committee.

6/18/03, CONTINUED AS AMENDED. Continued to 7/9/03

Heard in Committee. Speakers: Female Speaker; Female Speaker; Robert McCarthy, McCarthy and Schwartz; Christopher Hall; Debra Stein, GCA Strategies; Jimmy Mitchell; Inspector Greg Ovanession, Captain Thomas O'Neill, Inspector Tom Feledy, SFPD; Laurel Pollock, District Attorney's Office; Ted Lakey, Deputy City Attorney.

Supervisor Peskin submitted an Amendment of the Whole bearing same title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 2 - Peskin, McGoldrick
Noes: 1 - Sandoval

030379 **[CEQA Findings for Cruise Terminal Mixed-Use Project]**

Resolution adopting findings pursuant to the California Environmental Quality Act (CEQA) and the State CEQA Guidelines, including a statement of overriding considerations, in connection with the proposed mixed-use Cruise Terminal Project, located on Pier 30-32, a condominium tower on a portion of Seawall Lot 330, and a public open space project in the location of Pier 34 and 36, in the Port of San Francisco, City and County of San Francisco. (Port)

4/17/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

6/4/03, CONTINUED. Heard in Committee. Speakers: El St. John, San Franciscans for a Healthy Waterfront, Taline Sanassarian, Port of San Francisco; Monique Zmuda, Controller's Office; Wade Crowfoot, Aide to Supervisor Peskin; Earl Gee, San Franciscans for a Healthy Waterfront; Matthew Needham, San Franciscans for a Healthy Waterfront; Jim Haase.
Continued to 7/9/03.

Heard in Committee. Speakers: Douglas Wong, John Doll, Byron Rhett, Port of San Francisco; Neil Sekhri, Deputy City Attorney; Male Speaker, SF Cruise Terminal; Peter Dailey, Port of San Francisco; Harvey Rose, Budget Analyst; Ernestine Weiss; James Callahan, Metropolitan Stevedore Company; Steve Reilly, Red's Java House; Missy Soto, Bren School of Environmental Science; Grant Donnelly, SF State Student; Robert Zurcher, Carpenters Union; Leslie Callan, San Franciscans for a Healthy Waterfront; Bella Tonkonogy, Natural Resources Defense Council; Jeffrey Leibovitz, RE-SB CAL; Toby Lovallo; Earl Gee, San Franciscans for a Healthy Waterfront; Francisco DaCosta, EJA; Joe O'Rourke, SF Drydock; Randy Zurcher, Blue Network; Bill Nelson, ILWU Local 91; Michael Terry, ILWU Local 75; Guy De LaCrose, Catharine Hooper, Inchcape Shipping; Henry Graham, ILWU Local 10; Ellen Johnck, Bay Planning Coalition; El St. John, San Franciscans for a Healthy Waterfront; Ted Lakey, Deputy City Attorney.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

030371 **[Agreement to Sell approximately 22,600 sq. ft. of unimproved real property located at Beale and Bryant Streets and to Lease Piers 30-32 to San Francisco Cruise Terminal, LLC]**

Resolution approving and authorizing an Agreement with San Francisco Cruise Terminal, LLC for the Sale of approximately 22,000 square feet of real property located at the corner of Beale and Bryant Streets on Seawall Lot 330; approving and authorizing a 66-year Lease with San Francisco Cruise Terminal, LLC for Piers 30-32; adopting findings that the conveyance is consistent with the City's General Plan and eight Priority Policies of City Planning Code Section 101.1; authorizing expenditure of proceeds received under the Sale Agreement towards costs of the Brannan Street Wharf and Piers 30-32 Cruise Terminal Project; and authorizing the Port's Executive Director and the City's Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this Resolution. (Port)

(Public Benefit Recipient; companion measure to File 030379.)

4/17/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

6/4/03, CONTINUED. Heard in Committee. Speakers: El St. John, San Franciscans for a Healthy Waterfront, Taline Sanassarian, Port of San Francisco; Monique Zmuda, Controller's Office; Wade Crowfoot, Aide to Supervisor Peskin; Earl Gee, San Franciscans for a Healthy Waterfront, Matthew Needham, San Franciscans for a Healthy Waterfront; Jim Haase.
Continued to 7/9/03.

See file #031229.

DIVIDED.

Heard in Committee. Speakers: Douglas Wong, John Doll, Byron Rhett, Port of San Francisco; Neil Sekhri, Deputy City Attorney; Male Speaker, SF Cruise Terminal; Peter Dailey, Port of San Francisco; Harvey Rose, Budget Analyst; Ernestine Weiss; James Callahan, Metropolitan Stevedore Company; Steve Reilly, Red's Java House; Missy Soto, Bren School of Environmental Science; Grant Donnelly, SF State Student; Robert Zurcher, Carpenters Union; Leslie Callan, San Franciscans for a Healthy Waterfront; Bella Tonkonogy, Natural Resources Defense Council; Jeffrey Leibovitz, RE-SB CAL; Toby Lovallo; Earl Gee, San Franciscans for a Healthy Waterfront; Francisco DaCosta, EJA; Joe O'Rourke, SF Drydock; Randy Zurcher, Blue Network; Bill Nelson, ILWU Local 91; Michael Terry, ILWU Local 75; Guy De LaCrose, Catharine Hooper, Inchcape Shipping; Henry Graham, ILWU Local 10; Ellen Johnck, Bay Planning Coalition; El St. John, San Franciscans for a Healthy Waterfront; Ted Lakey, Deputy City Attorney.
7/9/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution approving and authorizing an Agreement with San Francisco Cruise Terminal, LLC for the Sale of approximately 22,600 square feet of real property located at the corner of Beale and Bryant Streets on Seawall Lot 330; approving and authorizing a 66-year Lease with San Francisco Cruise Terminal, LLC for Piers 30-32; adopting findings that the Sale is consistent with the City's General Plan and eight Priority Policies of City Planning Code Section 101.1; and authorizing the Port's Executive Director and the City's Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this Resolution. (Port)

(Public Benefit Recipient; companion measure to File 030379.)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031229 **[Appropriating Funds for Brannan Street Wharf and Cruise Terminal Project at Piers 30-32]**

Ordinance appropriating funds payable to the Port of San Francisco from the sale and development of land located at the corner of Beale and Bryant Streets on Seawall Lot 330 towards costs of the Brannan Street Wharf and Piers 30-32 Cruise Terminal Project and authorizing expenditure of such funds in accordance with certain contractual agreements. (Port)

Divided from file #030371.

PREPARED IN COMMITTEE AS AN ORDINANCE.

Ordinance appropriating $9,324,000 in sales proceeds from the Seawall Lot 330 and $20,376,000 from the condo sales proceeds for a total of $29,700,000 for the development of the Brannan Street Wharf and the Pier 30-32 Cruise Terminal Project, for Port for fiscal year 2003-2004, placing $29,700,000 on reserve by the Finance and Audits Committee. (Port)

Heard in Committee. Speakers: Douglas Wong, John Doll, Byron Rhett, Port of San Francisco; Neil Sekhri, Deputy City Attorney; Male Speaker, SF Cruise Terminal; Peter Dailey, Port of San Francisco; Harvey Rose, Budget Analyst; Ernestine Weiss; James Callahan, Metropolitan Stevedore Company; Steve Reilly, Red's Java House; Missy Soto, Bren School of Environmental Science; Grant Donnelly, SF State Student; Robert Zurcher, Carpenters Union; Leslie Callan, San Franciscans for a Healthy Waterfront; Bella Tonkonogy, Natural Resources Defense Council; Jeffrey Leibovitz, RE-SB CAL; Toby Lovallo; Earl Gee, San Franciscans for a Healthy Waterfront; Francisco DaCosta, EJA; Joe O'Rourke, SF Drydock; Randy Zurcher, Blue Network; Bill Nelson, ILWU Local 91; Michael Terry, ILWU Local 75; Guy De LaCrose, Catharine Hooper, Inchcape Shipping; Henry Graham, ILWU Local 10; Ellen Johnck, Bay Planning Coalition; El St. John, San Franciscans for a Healthy Waterfront; Ted Lakey, Deputy City Attorney.
7/9/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

030633 **[Giving the Executive Director of the Department of Parking and Traffic Authority to Promulgate Regulations Regarding Parking Revenue Equipment]**

Supervisor Peskin

Ordinance amending Section 4910 of the Police Code to vest authority to promulgate regulations regarding parking revenue in the Executive Director of the Department of Parking and Traffic, instead of in the Tax Collector.

4/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Shana Margolis, Treasurer's Office; David Frieders, Department of Consumer Assurance; Diana Hammons, Department of Parking and Traffic; Laurel Pollock, District Attorney's Office; Ed Harrington, Controller; Julie DeGregorio, SFTWA; Jim Reuben, Reuben and Alter. 7/9/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending Section 4910 of the Police Code to vest authority to promulgate regulations regarding parking revenue equipment in the Executive Director of the Department of Parking and Traffic, instead of in the Tax Collector.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030884 **[Lease of Real Property]**

Resolution authorizing a lease renewal at 44 Gough Street for the Department of Human Resources. (Real Estate Department)

(Public Benefit Recipient.)

5/22/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Charlie Dunn, Department of Administrative Services.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030890 **[Lease Agreement with Imperial Parking]**

Resolution approving lease agreement with Imperial Parking (U.S.), and the City and County of San Francisco operating by and through the San Francisco Port Commission to operate a surface parking lot at Seawall Lot 330, Embarcadero between Bryant and Beale Streets. (Port)

(No Public Benefit Recipient.)

5/14/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Elliot Riley and Jeff Brown, Port of San Francisco,

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031017 [Lease of Real Property]

Resolution authorizing a lease of approximately 51,119 square feet of space at 1650 Mission Street for the Department of Human Services for a term of five years. (Real Estate Department)

(No fiscal impact; Public Benefit Recipient.)

6/6/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Charlie Dunn, Department of Administrative Services.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031018 [Lease of Real Property]

Resolution authorizing a lease of approximately 13,706 square feet of space at 1650 Mission Street for the Department of Building Inspection for a term of five years. (Real Estate Department)

(Public Benefit Recipient.)

6/6/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Charlie Dunn, Department of Administrative Services.
7/9/03 Amended on page 1 line 16, replace "$34,539.12" with "$34,510.36"

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031050 **[Purchase of Property located at 201 Leland Avenue, San Francisco for the Public Library]**

Mayor, Supervisors Peskin, Sandoval

Resolution authorizing the execution and performance of an Agreement of Purchase and Sale for Real Estate for the City purchase of real property and improvements located at 201 Leland Avenue, San Francisco subject to a short term lease with the Seller, for use as the Visitacion Valley Branch Library of the San Francisco Public Library; adopting findings under the California Environmental Quality Act; and adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1. (Mayor)

(Fiscal impact; Public Benefit Recipient.)

6/10/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Susan Hildreth, San Francisco Public Library.
Supervisors Peskin and Sandoval requested to be added as co-sponsors.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031102 [Memorandum of Understanding re PERS Contract Amendment]

Mayor, Supervisors Dufty, Ma, Sandoval

Ordinance adopting and implementing the Memorandum of Understanding between the City and County of San Francisco and the Deputy Sheriffs' Association regarding the amendment of the contract with the Public Employees' Retirement System to provide the County's Sheriffs with the retirement benefits known as 3% @ 55.

(Fiscal impact.)

6/16/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Continued to 7/16/03.

Supervisor Sandoval requested to be added as a co-sponsor.

CONTINUED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031115 [PERS Contract Amendment]

Mayor, Supervisors Dufty, Ma

Ordinance authorizing an Amendment to Contract Between the Board of Administration, California Public Employees' Retirement System, and the Board of Supervisors, City and County of San Francisco.

6/17/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Continued to 7/16/03.

CONTINUED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031120 [Contracting Out Airport Information Booth Services]

Resolution approving the Controller's Certification that Airport Information Booth Services at San Francisco International Airport can practically be performed by private contractor at a lower cost than if work were performed by City employees at currently budgeted. (Airport Commission)

(Public Benefit Recipient.)

6/20/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Ed Harrington, Controller; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031121 [Contracting Out Shuttle Bus Service]

Resolution approving the Controller's certification that shuttle bus service for San Francisco International Airport's Long-Term Parking Lot, the employee garage and surface Lot DD can practically be performed by private contractor at a lower cost than if work were performed by City and County employees. (Airport Commission)

(Public Benefit Recipient.)

6/20/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Ed Harrington, Controller; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031122 [Modification to the Professional Services Agreement for Construction Management Services for the AirTrain System at SFO]

Resolution approving Modification No. 8, the Close-out Modification, of Professional Services Agreement for Contract No. 5700CM – Construction Management Services for the AirTrain System with PGH Wong Engineering/Luster Construction Management, in the amount of $650,000, for a new total contract amount of $33,497,367. (Airport Commission)

(Public Benefit Recipient.)

6/20/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Ivar Satero, Airport Commission.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031104 [Calculation of fees for paid ballot arguments]

Supervisor Peskin

Ordinance amending the Municipal Elections Code to amend Section 830 to require that the Controller set the fees for publication of ballot arguments in the Voter Information Pamphlet, and establish criteria for setting this fee so that the fee approximates but does not exceed the actual cost of publication.

(No fiscal impact.)

6/17/03, RECEIVED AND ASSIGNED to Rules Committee.

6/25/03, TRANSFERRED to Finance and Audits Committee.

6/25/03, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review

6/28/03, 7/5/03 Fee ad publication dates.

6/30/03, RESPONSE RECEIVED. Exempt from CEQA Guidelines Section 15273(a). Rates, Tolls, Fares and Charges

Speakers: None.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 7:14 p.m.

[Budget Analyst Report]
Susan Hom
Main Library-Govt. Doc. Section

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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 3, 2003

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TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: July 9, 2003 Finance and Audits Committee Meeting

Item 1 – File 02-1948

Note: This item was continued by the Finance and Audits Committee at its meeting of June 18, 2003.

Departments: District Attorney's Office (DA)
Police Department (SFPD)
Treasurer/ Tax Collector

Item: Ordinance repealing Section 162 of the San Francisco Police Code relating to advertising by fortunetellers; adding Sections 1300 to 1321 to the San Francisco Police Code requiring fortunetellers to obtain a permit, setting forth permit procedures, regulating business by prohibiting deceptive acts and requiring receipts, rate schedules, and identification cards, requiring permit number on advertisements, allowing license inspections, and setting forth the penalty for violations of these Sections; and amending San Francisco Police Code Section 2.26 setting forth permit and filling fees.

Description: The proposed ordinance would repeal Section 162 of the San Francisco Police Code that provides prohibitions on certain types of advertising by fortunetellers[1], such as a promise to find or restore lost or stolen property. Currently, the City does not require that fortunetellers obtain a permit, and the City does not regulate fortunetelling beyond the advertising rules in Section 162 and standard business license requirements which are not specific to fortunetelling businesses.

The proposed ordinance would add Sections 1300 to 1321 to the San Francisco Police Code, which would do the following:

- Require any persons engaged in fortunetelling with the object of gain, benefit or advance to obtain an initial permit from the San Francisco Police Department (SFPD) at a fee of $295 payable to the SFPD. Persons engaged in public entertainment in a public setting and persons conducting or participating in a religious ceremony would be exempted from this permit requirement.[2]
- Require an annual permit in the amount of $40 payable by the fortuneteller to the Tax Collector.
- Establish permit procedures such that applicants must complete an application provided by the SFPD, and submit a completed application to the SFPD, including fingerprints, two recent passport sized photographs, and $295 non-refundable one time permit fee. The proposed ordinance directs the Chief of Police to hold a public

[1] For the purpose of the proposed ordinance, "fortunetelling" is defined as "telling of fortunes, forecasting of futures, reading the past, or furnishing of any information not otherwise obtainable by the ordinary process of knowledge, by means of any occult, psychic power, faculty, force, clairvoyance, cartomancy, psychometry, phrenology, spirits, tea leaves, tarot card, scrying, coins, sticks, dice, sand, coffee grounds, crystal gazing or other such reading, or through mediumship, seership, prophecy, augury, astrology, palmistry, necromancy, mindreading, telepathy or other craft, art, science, talisman, charm, potion, magnetism, magnetized article or substance, or by any such similar thing or act. It shall also include effecting spells, charms, or incantations, or placing curses or advising the taking or administering of what are commonly called love powders or potions."

[2] Fortunetellers that are conducting or participating in any religious ceremony as a minister are exempted from the permit requirement provided that (1) "the benefit, gain or advantage shall be regularly accounted for and paid solely to or for the benefit of the bona fide church or religious association except that the bona fide church or religious association may pay to its ministers a salary or compensation based upon a percentage only, pursuant to an agreement between the church and the ministers that is embodied in a resolution and transcribed in the minutes of such church or religious association," and 2) "the minister holds a certificate of ordination from such bona fide church or religious association."

hearing 30 days after receipt of a completed application and to grant the permit request unless during a background check the Chief of Police finds: 1) the place of business does not meet the applicable City codes required for businesses, 2) the applicant has been convicted of a crime, 3) the applicant has previously had a permit revoked or suspended for violation of permitting conditions, or 4) the application is incomplete or has provided inaccurate information. Should the SFPD issue a permit, the SFPD would forward an identification card, developed by the SFPD, and application to the Treasurer's Office for delivery to the permittee upon payment of the business license fee by the permittee to the Treasurer. The proposed ordinance states that the permit is not valid unless the annual business registration certificate fee has been paid to the Tax Collector. Fortunetelling businesses are currently required to obtain an annual business registration certificate as are all businesses within the City. The certificate fee ranges from \$25 to \$500 depending on the amount of taxable payroll.

- Regulate fortunetelling businesses by requiring that fortunetellers (1) give customers receipts for services[3], (2) display in a clearly visible location the identification nameplate containing a photograph, right thumbprint, name and permit number of the permitee provided by the SFPD department, (3) include the permit number on any advertisements, and that (4) fortunetellers provide clients with a rate sheet[4] that includes a statement that if the customer has complaints, they may phone the SFPD at 553-1115.
- Grant the SFPD authority to investigate fortunetelling businesses.
- Establish penalties and fines such that any person violating the proposed ordinance would be guilty of a misdemeanor or infraction, to be determined by the District Attorney. Fines for an infraction would range from \$100 to \$500 and fines for misdemeanors would range from \$200 to imprisonment in the County Jail for a period of not more than six months.

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[3] The proposed ordinance requires that receipts include the name of the permitee who provided the services, the permitee's permit number, the services rendered, the amount charged for each service provided, and the amount paid or expected, and if payment method is other than cash.

[4] The proposed ordinance specifies that rate sheets are to be posted in the case of a fixed location and a written copy of a rate sheet in the case of a roving or unfixed location.

Fortunetellers would have three months from the effective date of the subject ordinance to obtain a permit.

Comments:

1. According to Ms. Margaret Baumgartner of the City Attorney's Office, the purpose of the proposed legislation is to regulate fortunetellers so that the District Attorney's Office (DA) can investigate fraud and deceptive practice charges, and to ensure that consumers are provided with information regarding services, rates, and complaint procedures. According to Ms. Laurel Pallock of the District Attorney's Office, the DA has received escalating complaints from alleged victims of fortuneteller fraud over the past five years and that the proposed ordinance would allow the DA to better investigate and prosecute such claims.

2. Ms. Pallock estimates that approximately 130 fortuneteller businesses operate in San Francisco. Ms. Marla Taylor of the Controller's Office estimates that the proposed initial permit of $295 would generate $38,350 in one time revenue to the General Fund. Ms. Taylor notes that thereafter, the revenues generated would depend on the number of new permit applications, which cannot be estimated at this time.

Sergeant Steven Zimmerman of the Police Department advises that the estimated costs to the Police Department, related to the issuance of the one-time permit filing fee, total $357. Sergeant Zimmerman states that the Police Department initially believed these costs would be $538 and submitted an analysis to Ms. Marla Taylor of the Controller's Office. However, Sergeant Zimmerman states that the Police Department has subsequently revised its analysis. The Budget Analyst notes that the proposed one-time permit filing fee of $295 is $62 less than the total estimated costs of $357 to issue these one-time permits. Therefore, if the Board of Supervisors wishes to fully recover costs, the one-time permit filing fee should be increased by $62 from $295 to $357.

3. In addition to the one-time permit filing fee of $295, the proposed ordinance would require an annual permit fee of $40. Ms. Taylor estimates that this permit fee would generate approximately $5,200 annually. The Tax Collector's Office estimates that the costs of issuance, related to the annual permit fee, are $40. However, Sergeant Zimmerman advises

that the Police Department would need to conduct ongoing tracking and investigations related to the annual permit. Sergeant Zimmerman estimates that the annual costs per permit renewal of such tracking and investigations would be approximately $55. Therefore, if the Board of Supervisors wishes to fully recover costs, the annual permit fee should be increased by $55 from $40 to $95.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Items 2 and 3 - Files 03-0379 and 03-0371

Note: Files 03-0379 and 03-0371 were continued at the Finance and Audits Committee meeting of June 4, 2003. This report is based on Amendments of the Whole for Files 03-0379 and 03-0371 that will be introduced at the Finance and Audits Committee meeting on July 9, 2003.

Department: Port Commission (Port)
Real Estate Division

Items: 03-0371 Resolution approving and authorizing an Agreement between the Port and San Francisco Cruise Terminal, LLC for the sale by the Port to San Francisco Cruise Terminal, LLC of approximately 22,600 square feet of real property located at the corner of Beale and Bryant Streets on Seawall Lot 330; approving and authorizing a 66-year Lease with San Francisco Cruise Terminal, LLC for Pier 30-32; adopting findings that the conveyance is consistent with the City's General Plan and eight Priority Policies of City Planning Code Section 101.1; authorizing expenditure of proceeds received under the Sale Agreement, subject to Board of Supervisors appropriation approval, towards the costs of the Brannan Street Wharf and Pier 30-32 Cruise Terminal Project; and authorizing the Port's Executive Director and the City's Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this Resolution.

03-0379 Resolution adopting findings pursuant to the California Environmental Quality Act (CEQA) and the State CEQA Guidelines, including a statement of overriding considerations, in connection with the proposed mixed-use Cruise Terminal Project, located on Pier 30-32, a condominium tower project on a portion of Seawall Lot 330, and a public open space project in the location of Piers 34 and 36, at the Port.

File 03-0371 — Lease by the Port to San Francisco Cruise Terminal, LLC of Pier 30-32

Location: Pier 30-32, located at the corner of Bryant Street and the Embarcadero.

Purpose of Lease: The proposed lessee, San Francisco Cruise Terminal, LLC, would develop a two-level Cruise Terminal to accommodate two cruise ships at one time with approximately 195,000 gross square feet for retail and entertainment space, approximately 370,000 gross square feet for office space for maritime and other private

businesses and a garage with 425 parking spaces, as detailed in Attachment I, provided by the Port.

Lessor: City and County of San Francisco through the Port Commission

Lessee: San Francisco Cruise Terminal, LLC

Term of Lease: 66 years, commencing upon the close of escrow on the Lease, which is projected to be in 2005.

No. of Sq. Ft. and Monthly Rental Revenues Payable by San Francisco Cruise Terminal, LLC to the Port: Pier 30-32 contains 619,696 gross square feet. During the construction of the Cruise Terminal Project, the Construction Period Rent payable to the Port would be at an annual rate of $150,000, or $12,500 per month. The Construction Period is projected to begin in 2005 and be completed in 2009. After construction is completed, the Base Rent would be at an annual rate of $850,000 for the 66-year term of the proposed lease, or $70,833.33 per month. This $850,000 Base Rent would be adjusted by the Consumer Price Index (CPI) every five years. In addition to the $850,000 adjusted annual Base Rent payments, San Francisco Cruise Terminal, LLC (SFCT) would pay the Port a Participation Rent equal to 25 percent of the net operating income received by SFCT, on a quarterly basis, beginning on the third anniversary of operations and until the date of the first sale of the Lease or the seventh lease year, whichever occurs first. This Participation Rent would be paid after SFCT receives a three percent quarterly return on the project costs. The Lease requires San Francisco Cruise Terminal, LLC to make its books and records available to the Port, or to any City auditor, or to any auditor or representative designated by the Port. In addition, the Lease requires San Francisco Cruise Terminal, LLC to provide audited financial statements prepared by a certified public accounting firm in accordance with generally accepted accounting principles within 120 days of the expiration of each Lease Year. In the event of a sale of the Lease, the new Lessee would pay the Port a Participation Rent equal to 25 percent of the net income received by the new Lessee, on a quarterly basis, after the Lessee receives a

2.5 percent return on the Net Sale Proceeds. Net Sale Proceeds include the purchase price paid by the new Lessee less the costs of the purchase. The Lease provides that the Port must approve in writing any transfer of the Lease. After the seventh Lease year in the event a sale has not occurred, SFCT would pay the Port a Participation Rent equal to 25 percent of the net operating income received by SFCT, on a quarterly basis, after SFCT receives a 2.5 percent return on the Final Costs for the improvements on Pier 30-32. The estimated cost of the improvements on Pier 30-32 is $261,289,163. As additional rent, the Port will also participate in the Net Sales Proceeds of all sales of the Lease throughout the Lease Term (see Comment No. 5).

Right of Renewal: None.

File 03-0371 **Sale by the Port for $9,324,000 to San Francisco Cruise Terminal, LLC of Real Property on Seawall Lot 330 for the Development of the Condo Project**

Location: A portion of Seawall Lot 330, located on the corner of Bryant and Beale Streets.

Seller: City and County of San Francisco on behalf of the Port Commission

Buyer: San Francisco Cruise Terminal, LLC (SFCT)

Square feet: Approximately 22,600 square feet of land, currently being used as a parking lot. The parking lot is comprised of the subject 22,600 square feet and an additional approximately 101,956 square feet, totaling 123,956 square feet and has 500 total parking spaces. According to Mr. John Doll of the Port, the entire 123,956 square foot parking lot is projected to result in $495,695 in parking revenue to the Port for FY 2002-2003. Mr. Doll reports that 178 parking spaces will be eliminated by the sale of the approximately 22,600 square feet, but that the Port will be paid $150,000 in 2004 by SFCT for the use of additional space in Seawall Lot 330 for construction space for the Condo Project. Mr. Doll reports that the Port has not determined the future use for the remaining 101,956 square feet of Seawall Lot 330.

Sale Price: $9,000,000 in Initial Land Value Payment and an additional $324,000 in Deferred Land Value to be realized from Sales Proceeds from the sale of the condominiums, or a total of $9,324,000 (see Comment No. 2).

Description: The proposed resolutions would approve and authorize (a) the sale by the Port of approximately 22,600 square feet of real property, located at the corner of Beale and Bryant Streets on Seawall Lot 330, to San Francisco Cruise Terminal, LLC for the Condo Project and (b) a 66-year lease with SFCT for Pier 30-32, located on the Embarcadero near Bryant Street for the Cruise Terminal Project and would adopt the California Environmental Quality Act (CEQA) findings pertaining to the proposed Bryant Street Pier Project, which includes the Cruise Terminal Project on Pier 30-32, the Brannan Street Wharf and the Condo Project on Seawall Lot 330. These projects are described in detail in Attachment I, provided by the Port.

The Lease Agreement with SFCT is for the Cruise Terminal Project, which is a mixed use project that would include a two-level terminal to accommodate two cruise ships at one time to be located on Pier 30-32 that would include approximately 195,000 gross square feet for retail and entertainment space, approximately 370,000 gross square feet for office space for maritime and other private businesses and a garage with 425 parking spaces. The Sale Agreement with SFCT is for the Condo Project on Seawall Lot 330, which would be a 22 story tower with approximately 200,000 gross square feet including approximately 140 condominium units, including 12 percent affordable units, or 17 affordable units, and approximately 140 parking spaces. The Condo Project is described in detail in Attachment I, provided by the Port. The Port will receive rents and other revenues from those projects.

The Brannan Street Wharf would be a 57,000 square foot pile-supported wharf with a waterfront park providing access to the waterfront. The Brannan Street Wharf would be funded by the Port in the amount of $9,000,000 with proceeds from the sale to SFCT of the subject 22,600 square feet of vacant land on Seawall Lot 330 (the additional $324,000 in Deferred Land Value to be realized from Sales Proceeds from the sale of the condominiums would not be used for the Brannan Street Wharf) and with $6,000,000 in Port Capital funds, for a total

estimated project cost of $14,995,794. Attachment II, provided by the Port, is the preliminary budget for estimated Port costs of $14,995,794 for the Brannan Street Wharf. The estimated construction cost for the Cruise Terminal Project is $261,280,163. The estimated construction cost for the Condo Project is $85,502,582. Except as noted in Comment No. 4, the Cruise Terminal Project and Condo Project would be funded by San Francisco Cruise Terminal, LLC, which was selected by the Port through a Request for Qualifications and Proposals (RFQ/P) process (See Comment No. 3).

Attachment III, provided by the Port contains a summary of the Port's projected revenues of an estimated $525,402,500 for all rents, including $550,500 for Construction Period Rent, $178,381,000 for Base Rent, $346,321,000 for Participation Rent in accordance with the proposed lease for the Cruise Terminal Project and an additional $150,000 for Construction Period Rent to be realized from renting to SFCT additional space in Seawall Lot 330 for construction space for the Condo Project in accordance with the Sale Agreement. Attachment III includes the $9,000,000 for sale of the 22,600 square feet on Seawall Lot 330, an estimated $20,700,000 to be realized from the Condo Sales (the $20,700,000 includes the $324,000 in Deferred Land Value included in the Sale Agreement for the Condo Project) and an estimated $14,200,000 for the projected revenue from the projected sale of the Lease, for total estimated revenue to the Port of $569,302,500, including the above-noted $525,402,500, over a 68-year period, which includes two years prior to commencement of the subject Lease and the 66-year Lease Term commencing in 2005 (see Comment No. 5). Mr. Doll advises that, although the proposed Lease for Pier 30-32 does not require a sale of the Lease when the property is fully developed, developers of similar projects typically sell the Lease after construction is completed. Attachment I, provided by the Port explains the basis of the projections for revenues under the proposed Lease and Sale Agreements, including all projected revenues over the 66-year term of the lease.

Comments:

1. The Lease Disposition and Development Agreement, between the Port and San Francisco Cruise Terminal, LLC is intended to establish the conditions for the

development of the Cruise Terminal and the Brannan Street Wharf by San Francisco Cruise Terminal, LLC and to state the conditions for the delivery of the Lease for Pier 30-32 and the site to San Francisco Cruise Terminal, LLC by the Port. The Lease Disposition and Development Agreement between the Port and San Francisco Cruise Terminal, LLC, identifies the scope of the development project and includes a schedule of performance, tenants provisions, and other issues related to the development and construction phase of the project. The proposed Lease resolution approves the Lease and only the terms of the Lease Disposition and Development Agreement that are included in the Lease. However the entire Lease Disposition and Development Agreement is not subject to Board of Supervisors approval. The Lease Disposition and Development Agreement was approved by the Port Commission on March 25, 2003 and would become effective when the Port Director signs the Agreement, which Mr. Doll advises would not occur until the Board of Supervisors approves the proposed Lease resolution (File 03-0371). The Lease Disposition and Development Agreement would expire upon the completion of the construction of the Cruise Terminal, which is anticipated to be in approximately 2009.

2. The Sale Agreement for the Condo Project, wherein the Port would sell SFCT 22,600 square feet on Seawall Lot 330, currently being used by the Port as a parking lot, provides that SFCT would distribute the Condo Sales Proceeds as follows: (a) first, SFCT would pay outstanding debt for the amount financed for the Condo Development Costs; (b) second, SFCT would pay the Port for the Deferred Land Value, or $324,000, until fully paid; (c) third, SFCT would pay itself for the Developer's Equity Contribution, defined as the difference between the Mortgage (the amount of the project costs to be financed) and the total Condo Development Costs, until fully paid; (d) fourth, SFCT would pay the Port and SFCT in equal shares until the amount distributed equals a 12.5 percent return of Developer's equity based on the Capped Condo Development Costs; and (e) fifth, SFCT would pay the Port all remaining amounts.

3. As stated previously, the developer for the Bryant Street Pier Project, including the Cruise Terminal Project, the Brannan Street Wharf and the Condo Project, San Francisco Cruise Terminal, LLC, was selected through a

Request for Qualifications and Proposals (RFQ/P) process. On June 4, 1999, the Port issued the RFQ/P to develop the Bryant Street Pier Project. Mr. Doll advises that this RFQ/P was advertised in 23 publications including the Wall Street Journal, Urban Land Magazine, the San Francisco Chronicle, and the San Francisco Examiner, and that the RFQ/P was sent to over 240 firms. Mr. Doll advises that the Port received four responses and subsequently, the Port invited three of the four responding firms to submit proposals for development of the Bryant Street Pier Project.

The three firms selected to submit proposals based on qualifications were: (1) Forest City Development, (2) LCOR San Francisco LLC (LCOR), and (3) San Francisco Cruise Terminal LLC (SFCT). Subsequently, Forest City Development informed the Port that it was withdrawing from the RFQ/P process. An analysis of the two remaining proposals from LCOR and SFCT was conducted by the Port's staff and assisted by an outside real estate economics and planning consulting firm, Economics and Planning Systems and an outside hospitality consulting firm, HVS International. The Port ranked the two firms as follows:

	Rank	
Criteria	SFCT	LCOR
Qualifications	1	2
Cruise Terminal Proposal	2	1
Development Concept	1	2
Economic Proposal	1	2
Feasibility	1	2
Community Support	1	2
Overall Ranking	1	2

Attachment I explains the process for selection of the developer, including the criteria for selection, how the firms were scored. On January 11, 2000, the Port staff recommended and the Port Commission selected SFCT, as the developer to enter into an Exclusive Right to Negotiate Agreement for the Bryant Street Pier Project. As a result of that agreement, the Port is now requesting approval of this proposed legislation.

4. Expenditures on the Brannan Street Wharf, to be developed by SFCT, would be subject to appropriation approval by the Board of Supervisors. Mr. Doll further advises that the appropriation of the funds is a prerequisite to the Sale Agreement with SFCT for the Condo Project. The Port will introduce Amendments of the Whole for the proposed resolutions (File 03-0371 & 03-0379) at the Finance and Audits Committee on July 9, 2003. Mr. Neil Sekhri of the City Attorney's Office advises that the Amendment of the Whole for File 03-0371 will split the current proposed Resolution into an amended Resolution and a new proposed Supplemental Appropriation Ordinance that would appropriate the proceeds to be realized by the Port from the Sale of a portion of Seawall Lot 330, in the amount of $9,324,000 and the proceeds from the sale of the Condos, estimated to be approximately $20,376,000. As noted above, the Port estimates that it will receive an estimated $20,700,000 from the Condo Sales, which includes $324,000 in Deferred Land Value for the sale of Seawall Lot 330 and an additional $20,376,000 for Condo Sales. Mr. Sekhri advises that the proposed Supplemental Appropriation Ordinance would appropriate the above-noted $9,342,000 for the construction of the Brannan Street Wharf and if any of these funds are not needed to complete the Brannan Street Wharf such funds would be used for the Cruise Terminal Project as provided for in the Lease Disposition and Development Agreement between the Port and SFCT. The Budget Analyst notes that the Cruise Terminal is to be privately financed by SFCT. However, Mr. Sekhri reports that if the actual cost of the Brannan Street Wharf were to be less than the estimated cost of $14,995,794, the Lease Disposition and Development Agreement provides that the unspent portion of the $9,324,000 would be used to pay predevelopment and development costs for the Cruise Terminal Project on Pier 30-32. In addition, Mr. Sekhri advises that the Lease Disposition and Development Agreement provides that the proceeds to be appropriated from the Condo sales, estimated to be $20,376,000, would be used to pay predevelopment and development costs for the Cruise Terminal Project on Pier 30-32. Specific budget details for the Brannan Street Wharf are not available at this time. The Budget Analyst recommends reserving the requested appropriation of $9,324,000 in Sale Proceeds from Seawall Lot 330 and the requested estimated

appropriation of $20,376,000 from the Condo Sales Proceeds until such time that specific budget details regarding the proposed appropriation of $9,324,000 and the proposed estimated appropriation of $20,376,000 are provided to the Board of Supervisors.

5. The subject Lease for Pier 30-32 related to the development of the Cruise Terminal Project provides that in the event of a sale by SFCT to another firm of the Lease for Pier 30-32, including the Cruise Terminal, the retail, entertainment and office space and the parking garage, the Port would receive a portion of the sale price as follows:

- First Sale Occurring within the First Seven Years of the Lease Term – the Port would receive 40 percent of Net Sale Proceeds less the Final Costs for the improvements less SFCT's return from the sale calculated at a 25 percent Internal Rate of Return on SFCT's equity in the Project.
- First Sale Occurring after the First Seven Years of the Lease Term – the Port would receive 15 percent of Net Sale Proceeds less the Final Costs for the improvements.
- All Subsequent Sales – the Port would receive 15 percent of the Net Sale Proceeds less the amount of the Net Sale Proceeds from the previous sale.

6. Attachment I provides a general comparison of the economic terms of the LCOR and SFCT's proposals for the development of the Bryant Street Pier and an explanation of why the economic provisions included in SFCT's proposal were ranked higher than those in LCOR's proposal. Attachment I also describes other alternative uses for the subject properties and how this proposal maximizes economic benefit to the Port and other benefits to the City.

7. The Lease Disposition and Development Agreement between the Port and SFCT, for Pier 30-32 and the Brannan Street Wharf provides that the Port must deliver Pier 30-32 and the Brannan Street Wharf site free of all tenants and occupants before the close of Escrow on the Agreement, except for Red's Java House. The existing Red's Java House would remain in the northwest corner of the site, near the corner of the Embarcadero and Bryant Street. Mr. Doll states that the only other current

tenant of Pier 30-32 is City Parking Company, which operates parking lots on Pier 30-32 and on Seawall Lot 330. File 03-0890, to be considered at the Finance and Audits Committee meeting of July 9, 2003, would approve a new lease for the parking lot on Seawall Lot 330 with Imperial Parking, to replace City Parking Company, which has been holding the lease on a month-to-month basis. The proposed new lease with Imperial Parking also provides for Imperial Parking to expand into the parking lot on Pier 30-32, replacing City Parking Company.

8. In accordance with CEQA, the Draft Supplementary Environmental Impact Report (DSEIR) for the Bryant Street Pier Project was published in November of 2001 and subsequently a Final Supplementary Environmental Impact Report (FSEIR) for the Bryant Street Pier Project was certified by the Planning Commission in May of 2002. On May 28, 2002, a non-profit organization, the Bluewater Network, filed an appeal of the Planning Commission's certification of the FSEIR with the Board of Supervisors. In July of 2002 the Board of Supervisors disapproved the certification of the FSEIR and referred the FSEIR to the Planning Department Office of Environmental Review (File 02-1164, Motion M02-100). Mr. Doll states that the FSEIR was subsequently revised in accordance with the request of Board of Supervisors and recertified by the Planning Commission in November of 2002. On December 11, 2002, a non-profit organization, San Franciscans for a Healthy Waterfront, filed an appeal of the Planning Commission's certification of the revised FSEIR with the Board of Supervisors. The Board of Supervisors affirmed the certification of the revised SEIR on January 21, 2003 (File 02-2021, Motion M03-8). The Port Commission adopted the final CEQA findings on March 25, 2003. The subject resolution would adopt the CEQA findings.

9. Attachment IV, provided by the Real Estate Division, summarizes the independent appraisal of the approximately 22,600 square feet of land located on Seawall Lot 330 to be sold under the subject Sale Agreement. According to Mr. Steve Legnitto, of the Real Estate Division, the Appraisal Report, prepared by Clifford Associates, found the Market Value of the property to be $9,300,000. As stated previously, under the subject Sale Agreement, the Port would sell the

22,600 square feet of land for $9,324,000, ($424.64 per square foot).

10. As stated previously, the proposed Lease provides that the Base Rent would be adjusted by the CPI every five years. The Budget Analyst recommends that the proposed Lease be amended to provide for annual CPI adjustments to the Base Rent in order to provide for maximum rent revenues to the Port. In addition, the proposed Lease provides that if a sale of the Lease for Pier 30-32 occurs, such a sale would be subject to approval by the Port, but would not be subject to approval by the Board of Supervisors. The Budget Analyst further recommends that the proposed Lease be amended to require Board of Supervisors approval of any sale of the proposed Lease.

11. The Budget Analyst notes that the Lease Disposition and Development Agreement provides that the proceeds, which the Port is to be paid from the Condo sales, estimated to be $20,376,000, would be used to pay predevelopment and development costs for the Cruise Terminal Project on Pier 30-32 and would not be net revenues to the Port.

Recommendations:

1. Amend the proposed resolution (File 03-0371) to require the Port Commission to amend the Lease to provide for: (a) annual CPI adjustments to the Base Rent and (b) Board of Supervisors approval for any future sale of the subject Lease, in accordance with Comment No. 10, above.

2. Reserve the requested appropriation of $9,324,000 in Sale Proceeds from the Seawall Lot 330 and the requested estimated appropriation of $20,376,000 from the Condo Sales Proceeds until such time that specific budget details regarding the proposed appropriation of the $9,324,000 and of the $20,376,000 are provided to the Board of Supervisors.

3. Approval of the proposed legislation, as amended, is a policy matter for the Board of Supervisors.

MEMORANDUM

March 29, 2003

TO: Harvey Rose
Budget Analyst

FROM: Douglas F. Wong
Executive Director

SUBJECT: Bryant Street Pier Cruise Terminal and Mixed-Use Project

This memorandum is in response to a May 29, 2002 request regarding:

1. An explanation of the criteria for selection of the developer, including the criteria for selection, how the firms were scored and how much weight was given to the amount of revenues to the Port included in the proposals.

2. A comparison of the economic terms of the two firms' proposals, an explanation of why SFCT's was found to be preferred, a description of what other alternative uses would be possible for the subject properties, an explanation of how this proposal maximizes economic benefit to the Port and an explanation why this is the best use.

3. A description of the Cruise Terminal Project, Brannan Street Wharf and Condo Project including uses, square footage, number of parking spaces, number of condos (with number of affordable units) and estimated development and construction costs.

4. An explanation of the projections of revenues under the base case, including all projected revenues over the 66-year term of the lease and an explanation of why the Port projects a sale of the Lease.

1. Developer Selection Process

The Port's primary objective for the Project was to develop a state-of-the-art cruise terminal facility as part of a mixed-use project which provides a focal point on the waterfront on Pier 30-32, mid-way between downtown and PacBell Park. The Port envisions a modern cruise terminal facility with active, public-oriented uses providing a premier gathering place for the Bay Area, the City and the neighborhood.

The staff memorandum to the Port Commission dated January 7, 2000 (Attachment A) summarizes the developer selection process for the Bryant Street Project. The Port Commission approved Resolution No. 99-36 authorizing staff to issue an RFQ/P for the Bryant Street Project. Consistent with the Waterfront Land Use Plan, Port staff convened an Advisory Group to provide input and reached consensus in the Project Goals and Objectives.

The RFQ/P was issued in June 1999. In July, there were four respondents: Forest City Development, LCOR, Urbatec, and SFCT. Port staff, with the assistance of the real estate economics and planning firm of Economic and Planning Systems (EPS), reviewed the submittals and evaluated them based on the qualifications criteria outlined in this RFQ/P (Attachment B, pages 34-35). Based on the evaluations, staff recommended and the Port Commission concurred that the teams led by Forest City, LCOR and SFCT should be invited to submit proposals. In September 1999, Forest City withdrew from the selection process stating that the project was "not consistent with the company's long-term financial goals."

In November 1999, LCOR and SFCT submitted and presented their proposals. Port staff and EPS evaluated the submittals from the two respondents based on the criteria in the request (See Attachment B, pages 36-37). Based on this review, Port staff concluded that 's proposal was the most responsive to the RFP and therefore should be invited to enter into exclusive negotiations with Port. The results of the developer ranking and evaluation are shown on pages 16-18 of Attachment B. With respect to the economic proposal (page 18), SFCT offered more total rent over the first twenty years of the Lease and proposed a CPI increase with no cap. LCOR offered a higher guaranteed minimum rent, but stated that this would be affected by the size of the hotel. On this basis, SFCT was rated more favorably. On January 11, 2000, the Port Commission selected SFCT and authorized staff to enter into exclusive negotiations for the development of the Bryant Street Project.

2. Use Program and Maximization of Economic Benefits

The explanation of allowable uses on public trust property and brief history of negotiations is excerpted below from the staff memorandum to the Port Commission dated March 19, 2003 (Attachment 3, pages 4-5). As described below, Port staff believes that the uses envisioned in this project are fully maximized given the constraints of AB 1389. SFCT did consider hotel and apartment alternatives as potential uses on SWL 330. SFCT concluded and EPS verified that both alternatives did not maximize potential revenues nor satisfy minimum developer returns.

As originally proposed by SFCT, the Project included a two berth cruise terminal, commercial retail, office, parking and open space on Piers 30-32 and a 400 room hotel and 11 time share units on SWL 330. After conducting extensive due diligence, including physical and engineering investigations of Piers 30-32, SFCT determined that the cost of seismically retrofitting the pier exceeded their original estimates by more than $40 million. In order to make the Cruise Terminal Project economically feasible, SFCT proposed increasing the amount of office space on Piers 30-32. In addition, in response to both community and market concerns, SFCT proposed developing SWL 330 with residential condominiums as an alternative to the hotel and time-share units.

SFCT and Port staff worked with the respective staffs of the State Lands Commission ("SLC"), BCDC, and the Attorney's General's Office to address public trust issues raised by the inclusion of general office and certain neighborhood-using, non-trust retail uses. In August, 2001, SLC staff informed the Port that the authorization of the use program would require action by the State Legislature.

In September 2001, the State Legislature passed legislation, known as AB 1389, sponsored by Assemblyman Kevin Shelley. The Governor signed AB 1389 in October 2001. Among other items, AB 1389: 1) allows 300,000 leasable square feet of office space on Piers 30-32 and allows an additional 25,000 square feet in the cruise terminal facility for no longer than 14 years, converting to trust use at that time or sooner if needed for cruise terminal expansion; and 2) allows a limited amount of non-trust retail (i.e., there must be a greater amount of trust-consistent retail and the ratio of trust to non-trust retail must be at least 40% of total office leasable space).

AB 1389 also accelerates the timing for the completion of the Brannan Street Wharf, as identified in the BCDC Special Area Plan. With review by BCDC, the Port must approve the final design concept for the Brannan Street Wharf prior to the submittal of a major permit application to BCDC, encumber funds for the completion of the Brannan Street Wharf, place funds in a segregated account prior to issuance of a BCDC permit, construct the northern portion of the Brannan Street Wharf contemporaneously with the Piers 30-32 project, and remove Pier 36 and complete the Brannan Street Wharf no later than five years after the start of construction of the Piers 30-32 project. AB 1389 thus establishes limits on the amount of revenue generating uses on Pier 30-32, and the use program proposed by SFCT will built the development in accordance to AB 1389.

Although AB 1389 resolved the use issues for Piers 30-32, the Port expressed a desire to retain ownership of as much of SWL 330 as possible. SFCT responded with a two-phased project that would allow for the sale and development of the Condo Site, with proceeds supporting the subsequent construction of the Cruise Terminal Project and the Brannan Street Wharf. The 22,000 square foot Condo site on SWL 330 was approved by Clifford & Associates who concluded that its proposed development with a 22-story condo tower constituted the "highest and best use" of this parcel. This appraisal defined "highest and best use" as that use which results in the highest land value.

SFCT and Port staffs have continued worked with SLC staff to address public trust issues raised by the residential component on SWL 330. The parties have conceptually agreed on an approach that would use existing legislative authority to remove the public trust designation from a portion of SWL 330, and place the trust designation on another site of equal value. A proposed receiver site for the public trust is a portion of property owned by the Port adjacent to Pier 80, commonly known as the "Western Pacific Parcel," but does not include the parcel occupied by MUNI. Upon approval of the trust exchange by the SLC, the Port would be able to convey the Condo Site to SFCT for development of the Condo Project.

3. Project Description

The project description below is excerpted from the staff memorandum to the Port Commission dated March 19, 2003 (Attachment 3, pages 7-10):

A. Cruise Terminal Project on Piers 30-32

The Pier 30-32 program analyzed under the Preferred Alternative and proposed under the Current Project includes a partial reconfiguration and structural upgrade of the Pier 30-32 structure, upon which would be constructed a new cruise terminal, a series of retail and office buildings, 425 parking spaces, and accessory open spaces. A berthing area for boats would be constructed adjacent to the pier. This development would include a collection of buildings of varying sizes constructed on the pier deck and oriented around a central lagoon. The elements of this component, as proposed under the Preferred Alternative, ~~are~~ as follows:

1. *Cruise Terminal*

Construction of the new James R. Herman International Cruise Terminal, a two-level, 100,000 gross square-foot (gsf) structure that would serve as San Francisco's main terminal servicing cruise ships calling at the Port. Approximately 20,000-50,000 gsf of the terminal's space would be available to the public for civic and special events during the off-season, when ships are not in port. The terminal, to be located at the northeastern corner of the pier, would be primarily 40 feet tall, with an unoccupied architectural element of the terminal roof rising to a height of approximately 88 feet. The terminal would be served by an approximately 850-foot long berth along the pier's northern edge and a 1,000-foot long berth along the pier's eastern edge (created by a 365-foot long and maximum 50-foot wide southern extension of the existing pier). Maintenance dredging would be required to provide adequate depth at the northern berth; the eastern berth would require minimal maintenance dredging. The berths and terminal would be designed to accommodate two cruise ships simultaneously.

Passengers and visitors to the terminal would enter on the first level via an atrium on the building's southern side, then take escalators to the second level for ticketing and boarding. The terminal's ground level would be devoted primarily to terminal operations and ship servicing, while the second level would function as the primary public space and would offer expansive views of the bay through floor-to-ceiling north and east facing windows.

The new cruise terminal would be expected to serve approximately 97 calls in 2010, and about 107 calls by the year 2020.

2. *Retail/Entertainment*

Approximately 195,000 gsf of retail/entertainment space would be situated throughout the pier, including a grocery store, restaurants, a multi-screen cinema and a variety of other retail spaces along either side of the pedestrian walkways and along the lagoon.

3. *Commercial Office*

A total of approximately 370,000 gsf (325,000 net square feet) of office space for maritime and other private business would be provided on the second and third levels of the buildings on the pier, including part of the terminal building. The buildings would be two and three stories in height, and the size and configuration of each of the floor plates would vary.

4. *Parking and Circulation*

The vehicular access entry/exit point for the pier would be from The Embarcadero at its intersection with Bryant Street. This entry/exit would provide access to the four (4) story, 425 space parking garage, which would be situated immediately on the right side after entry. Further along the access road would be a taxi drop off point and also coach parking. The road would end with a turning circle at the southern end of the terminal. A total of nine truck loading spaces would be provided.

5. *Open Space/Public Access Amenities*

The open space program for the pier would include plazas, terraces, aprons, and a lagoon. Landscaped terraces would be located on the second level, one to the south of the terminal near the eastern edge of the pier, one to the north of the terminal near the northern edge of the pier and one situated above the north end of the lagoon. Providing perimeter access to the entire pier would be 50-foot wide berthing aprons that would surround and extend beyond the terminal on the north and eastern sides. The aprons would generally be open to the public, but would be closed for safety purposes when ships are in port. A large lagoon would be created near the center of the pier, creating a focal point from which most pier buildings would be oriented and have access. An apron/walkway of approximately 30 feet in width would surround the lagoon. Berths will be provided for water taxis, recreational boats and possibly excursion vessels or ferries.

6. *Red's Java House*

The existing Red's Java House restaurant would remain at the northwest corner of Piers 30-32.

7. *Pier Seismic and Structural Upgrade*

Where required, the existing concrete piles would be repaired, which would involve the removal of marine growth and loose materials, installation of new reinforcing steel around the exterior of the pile, securing formwork around the pile, and then pumping of a cement-based grout (from a machine on the pier deck) into the formwork. Pieces of the pier deck would be removed to create the lagoon and to allow for the installation of new piles. New concrete piles would be driven for the pier extension. A new concrete deck would be installed atop the existing deck and on a timber and steel formwork for the pier extension. No net increase in the water area covered by pile-supported structures would occur.

B. Condo Project on SWL 330 - Residential Program

The Condo Site, as shown Attachment 1 hereto, would be sold to SFCT for development of the Condo Project. The Port would retain ownership of the balance of SWL 330 for future development. The Condo Project would include the construction of approximately 140 condominium units, with approximately 140 parking spaces, located in three levels above grade. Entry to the parking garage would remain on Beale Street. The main entry to the building would be on the first level. The building would be approximately 22 stories and 220 feet tall. The building would contain communal facilities, including a swimming pool, concierge and gym, with common open space at the podium level. In order to enhance the

residential nature of the project and the pedestrian frontage, staff of the Planning Department has requested that the Condo Project be serviced by on-street loading, and that an off-street loading bay not be included in plans for the condo tower.

SFCT will undertake an interim perimeter landscaping plan for the balance of SWL 330. This will allow the lot to continue as a revenue-generating parking lot. SFCT will have the right to use a small portion of the balance of SWL 330 for construction staging (for which it will pay to the Port the then current market rental value per square foot). The Port will retain ownership of the balance of SWL 330 and retain all development rights. SFCT is obligated to prepare a Consolidated Plan for the entirety of SWL 330. Such plan will indicate building envelope, massing and height on the entire SWL 330 consistent with the certified FSEIR.

C. Brannan Street Wharf

As shown in Attachment 2, the Brannan Street Wharf would involve removal of Pier 36 (91,845 sq. ft.), located immediately to the south of Pier 30-32, removal or repair of portions of marginal wharf and construction of new pile supported wharf area to create the Brannan Street Wharf. The Brannan Street Wharf would be approximately 600 feet long (parallel to The Embarcadero) and 95 feet wide. As called for in the BCDC's *San Francisco Waterfront Special Area Plan* (July, 2000) and the Port's Waterfront Plan (as amended July, 2000), the Brannan Street Wharf would be at least 57,000 square feet.

The Brannan Street Wharf would provide a major public open space that would reflect the character and needs of the adjacent South Beach neighborhood and provide access to the waterfront for residents and visitors to the area, establish a unique activity center, provide a respite from adjacent intensively developed areas, accommodate a variety of passive recreational activities, and serve as both a local and regional destination. Under the LDDA, SFCT would construct the Brannan Street Wharf.

D. Project Budget

The budget for each of the project components is estimated as follows:

Table A

	Estimated Project Cost (in millions)	
Condo Tower		$85.5
Piers 30-32		
Pier Upgrade	$56.6	
Office, Retail & Parking	$147.5	
Cruise Terminal	$42.1	
Subtotal		$246.2
Brannan Street Wharf		$15.0
Total		$346.7

4. Port Revenue Projections

The revenue projections below are excerpted from the staff memorandum to the Port Commission dated March 19, 2003 (Attachment 3, pages 20-21). On May 27, 2003, Port staff submitted a 66-year Port lease revenue projection to the Budget Analyst. As shown below, EPS and the Port assume a periodic sale of the Pier 30-32 lease.

"Economic Planning Systems, Inc., the Port's real estate and financial consultant, has evaluated the proposed Project and has projected the potential returns to the Port through 2020, which are summarized in Table B below. This analysis considered a Base Case, plus two Alternatives.

Table B: Total Port Returns through 2020 (in millions)

	Base Case	Reduced Condo Sales	Increased Office Rents
Rent to Port			
Construction Period	$0.7	$0.7	$0.7
Base Rent	$13.7	$13.7	$13.7
Participation Rent	$9.4	$9.4	$10.1
Total Rent	**$23.8**	**$23.8**	**$24.5**
Sales Proceeds to Port			
Land Price @COE	$ 9.0	$9.0	$9.0
Deferred Land Sale	$0.3	$0.3	$0.3
Condo Sales	$20.4	$8.4	$20.4
Subtotal	**$29.7**	**$17.7**	**$29.7**
Pier 30-32	$14.2	$14.2	$22.1
Total Sales Proceeds	**$43.9**	**$31.9**	**$51.8**

1. *Base Case*

The Base Case of Port Returns is shown in Attachment 6. The Base Case assumes two key factors: a) continuing strength in waterfront condo sales prices, and b) improvement in office market demand.

The Base Case assumes construction of 137 condo units sold for an average price of $755 per square foot. Market analysis has indicated that this proposed pricing scheme is reasonable because of the Condo Project's superior waterfront location. Given the range of the number of units under the Base Case, the Port should receive $0.3 million in deferred land payments, plus an additional $20.4 million from the sale of residual condominium units. This would be in addition to the initial land sales payment of $9.0 million.

The Base Case assumes a rent of $43 NNN (2003 dollars) per square foot. In the Base Case scenario, the Port would receive the annual Base Rent of $850,000 (adjusting for inflation). Participation Rent would begin in 2012. By 2020, the Base and Participation Rent is

estimated to be $3.4 million. If a sale occurs in 2020, the Port's participation in Net Sales Proceeds is projected to be $14.2 million.

Ultimately, the timing of the Piers 30-32 component is dependent on the need for new office space. Port staff has reviewed office market forecasts provided by SFCT and other literature regarding San Francisco real estate market forecasts. Based on these forecasts, Port staff agrees with SFCT that the demand for new office should be adequate within the 2006 to 2008 period to make the development of Cruise Terminal Project feasible.

2. *Reduced Condo Sales Alternative*

There is a risk that that prevailing condominium values may decrease when the condos are available for sale in 2005. In the event that there is a 15% decrease in condo sales resulting in an average sales price of $645 per square foot, the Port would receive approximately $8.7 million (in addition to the $9.0 million from the initial land sale). Even if this reduced condo sales scenario were to occur, SFCT has demonstrated to Port staff that it could still proceed with the Cruise Terminal Project and achieve reasonable returns if there is demand for office space.

3. *Increased Office Rents Alternative*

Port staff believes that there is potential for office rents to increase from $33 NNN per square foot assumed in the Base Coase to $50 NNN (2003 dollars) per square foot by the time the Project is available for lease. In this increased office rent scenario, the Port could participate in a First Sale in 2010 and receive $6.4 million. The combined Base and Participation Rent to the Port in 2020 would be $3.6 million. If a subsequent Sale occurs in 2020, then the Port would participate and receive an additional $15.7 million in net sale proceeds."

Prepared by
John Doll
Project Manager

Attachments:
A. Memorandum to Port Commission (January 7, 2000)
B. Request for Qualifications and Proposals for the Bryant Street Pier Project (June 4, 1999)
C. Memorandum to Port Commission (March 19, 2003)

Attachment 11 - Preliminary Budgeted BSW Costs		
Description	Percentage	Total
	%	$
Hard Costs		
Construction Cost		11,103,000
Subcontractor bonds	1	111,030
General Conditions	6	672,842
Contractors Fee	3	356,606
General Liabilty	0.78	95,499
Gross Reciepts Tax	0.3	37,017
Sub-Total		*12,375,994*
Design Costs		
Design Estimate	7	866,320
Project Management Services and Fee	3	371,280
Port - staff time and consultant expenses	n/a	50,000
Sub-Total		*13,663,593*
Contingency	9.75	1,332,200
Total		***14,995,794***

Summary of Port Returns
Base Case

Item	Total Through 2071	2003	2004	2005	2006	2007	2008	2009	2010
Rent to Port									
Construction Period Rent	700,500	0	150,000	150,000	150,000	150,000	100,500	0	0
Base Rent	178,381,000	0	0	0	0	0	281,000	850,000	850,000
Participation Rent	346,321,000	0	0	0	0	0	0	0	0
Total Rent	525,402,500	0	150,000	150,000	150,000	150,000	381,500	850,000	850,000
Sales Proceeds to Port									
SWL Land Payment @ COE	9,000,000	9,000,000	0	0	0	0	0	0	0
Condo Sales (inc. deferred land pmt.)	20,700,000	0	0	20,700,000	0	0	0	0	0
Subtotal Seawall Lot/Condos	29,700,000	9,000,000	0	20,700,000	0	0	0	0	0
Pier 30/32	14,200,000	0	0	0	0	0	0	0	0
Total Sales Proceeds	43,900,000	9,000,000	0	20,700,000	0	0	0	0	0

Base Case assumes: office rents	$43	NNN (2003$)
condo sales prices	$755	/sq.ft. evg. 1,100 sf unit (2003$) including 12% affordable units
retail rents	$31	NNN (2003$)
cruise calls	95	cruise ship calls in 2009

Note: only one subsequent sale is assumed, in 2020.

Participation rent growth assumed to stablize at a more conservative rate of 4% annually after 2030.

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Summary of Port Returns
Base Case

Item	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Rent to Port										
Construction Period Rent	0	0	0	0	0	0	0	0	0	0
Base Rent	850,000	850,000	1,177,000	1,177,000	1,177,000	1,177,000	1,177,000	1,364,000	1,364,000	1,364,000
Participation Rent	0	162,000	276,000	565,000	773,000	1,085,000	1,305,000	1,486,000	1,719,000	2,072,000
Total Rent	850,000	1,012,000	1,453,000	1,742,000	1,950,000	2,262,000	2,482,000	2,850,000	3,083,000	3,436,000
Sales Proceeds to Port										
SWL Land Payment @ COE	0	0	0	0	0	0	0	0	0	0
Condo Sales (inc. deferred land pmt.)	0	0	0	0	0	0	0	0	0	0
Subtotal Seawall Lot/Condos	0	0	0	0	0	0	0	0	0	0
Pier 30/32	0	0	0	0	0	0	0	0	0	14,200,000
Total Sales Proceeds	0	0	0	0	0	0	0	0	0	14,200,000

Attachment III
Page 3 of 8

Summary of Port Returns
Base Case

Item	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rent to Port										
Construction Period Rent	0	0	0	0	0	0	0	0	0	0
Base Rent	1,364,000	1,364,000	1,581,000	1,581,000	1,581,000	1,581,000	1,581,000	1,833,000	1,833,000	1,833,000
Participation Rent	0	217,000	425,000	696,000	1,103,000	1,390,000	1,685,000	1,926,000	2,239,000	2,709,000
Total Rent	1,364,000	1,581,000	2,006,000	2,277,000	2,684,000	2,971,000	3,266,000	3,759,000	4,072,000	4,542,000
Sales Proceeds to Port										
SWL Land Payment @ COE	0	0	0	0	0	0	0	0	0	0
Condo Sales (inc. deferred land pmt.)	0	0	0	0	0	0	0	0	0	0
Subtotal Seawall Lot/Condos	0	0	0	0	0	0	0	0	0	0
Pier 30/32	0	0	0	0	0	0	0	0	0	0
Total Sales Proceeds	0	0	0	0	0	0	0	0	0	0

Summary of Port Returns

Base Case

Item	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Rent to Port										
Construction Period Rent	0	0	0	0	0	0	0	0	0	0
Base Rent	1,833,000	1,833,000	2,125,000	2,125,000	2,125,000	2,125,000	2,125,000	2,464,000	2,464,000	2,464,000
Participation Rent	3,041,000	3,383,000	3,518,000	3,659,000	3,805,000	3,957,000	4,116,000	4,280,000	4,451,000	4,630,000
Total Rent	4,874,000	5,216,000	5,643,000	5,784,000	5,930,000	6,082,000	6,241,000	6,744,000	6,915,000	7,094,000
Sales Proceeds to Port										
SWL Land Payment @ COE	0	0	0	0	0	0	0	0	0	0
Condo Sales (inc. deferred land pmt.)	0	0	0	0	0	0	0	0	0	0
Subtotal Seawall Lot/Condos	0	0	0	0	0	0	0	0	0	0
Pier 30/32	0	0	0	0	0	0	0	0	0	0
Total Sales Proceeds	0	0	0	0	0	0	0	0	0	0

Summary of Port Returns
Base Case

Item	2041	2042	2043	2044	2045	2046	2047	2048	2049
Rent to Port									
Construction Period Rent	0	0	0	0	0	0	0	0	0
Base Rent	2,464,000	2,464,000	2,856,000	2,856,000	2,856,000	2,856,000	2,856,000	3,311,000	3,311,000
Participation Rent	4,815,000	5,007,000	5,208,000	5,416,000	5,632,000	5,858,000	6,092,000	6,336,000	6,589,000
Total Rent	7,279,000	7,471,000	8,064,000	8,272,000	8,488,000	8,714,000	8,948,000	9,647,000	9,900,000
Sales Proceeds to Port									
SWL Land Payment @ COE	0	0	0	0	0	0	0	0	0
Condo Sales (inc. deferred land pmt.)	0	0	0	0	0	0	0	0	0
Subtotal Seawall Lot/Condos	0	0	0	0	0	0	0	0	0
Pier 30/32	0	0	0	0	0	0	0	0	0
Total Sales Proceeds	0	0	0	0	0	0	0	0	0

Summary of Port Returns
Base Case

Item	2050	2051	2052	2053	2054	2055	2056	2057	2058
Rent to Port									
Construction Period Rent	0	0	0	0	0	0	0	0	0
Base Rent	3,311,000	3,311,000	3,311,000	3,838,000	3,838,000	3,838,000	3,838,000	3,838,000	4,449,000
Participation Rent	6,853,000	7,127,000	7,412,000	7,708,000	8,017,000	8,337,000	8,671,000	9,018,000	9,379,000
Total Rent	10,164,000	10,438,000	10,723,000	11,546,000	11,855,000	12,175,000	12,509,000	12,856,000	13,828,000
Sales Proceeds to Port									
SWL Land Payment @ COE	0	0	0	0	0	0	0	0	0
Condo Sales (inc. deferred land pmt.)	0	0	0	0	0	0	0	0	0
Subtotal Seawall Lot/Condos	0	0	0	0	0	0	0	0	0
Pier 30/32	0	0	0	0	0	0	0	0	0
Total Sales Proceeds	0	0	0	0	0	0	0	0	0

Summary of Port Returns
Base Case

Item	2059	2060	2061	2062	2063	2064	2065	2066	2067
Rent to Port									
Construction Period Rent	0	0	0	0	0	0	0	0	0
Base Rent	4,449,000	4,449,000	4,449,000	4,449,000	5,158,000	5,158,000	5,158,000	5,158,000	5,158,000
Participation Rent	9,754,000	10,144,000	10,550,000	10,972,000	11,410,000	11,867,000	12,341,000	12,835,000	13,349,000
Total Rent	14,203,000	14,593,000	14,999,000	15,421,000	16,568,000	17,025,000	17,499,000	17,993,000	18,507,000
Sales Proceeds to Port									
SWL Land Payment @ COE	0	0	0	0	0	0	0	0	0
Condo Sales (inc. deferred land pmt.)	0	0	0	0	0	0	0	0	0
Subtotal Seawall Lot/Condos	0	0	0	0	0	0	0	0	0
Pier 30/32	0	0	0	0	0	0	0	0	0
Total Sales Proceeds	0	0	0	0	0	0	0	0	0

Summary of Port Returns
Base Case

Item	2068	2069	2070	2071
Rent to Port				
Construction Period Rent	0	0	0	0
Base Rent	5,980,000	5,980,000	5,980,000	5,980,000
Participation Rent	13,882,000	14,438,000	15,015,000	15,618,000
Total Rent	19,862,000	20,418,000	20,995,000	21,596,000
Sales Proceeds to Port				
SWL Land Payment @ COE	0	0	0	0
Condo Sales (inc. deferred land pmt.)	0	0	0	0
Subtotal Seawall Lot/Condos	0	0	0	0
Pier 30/32	0	0	0	0
Total Sales Proceeds	0	0	0	0

ty and County of San Francisco

Real Estate Division
Administrative Services Department

March 18, 2003

Doug Wong
Executive Director
Port of San Francisco
Pier 1
San Francisco, CA 94111

Re: Appraisal of .5-acre portion of Seawall Lot 330

Dear Mr. Wong:

This letter is to confirm that an independent appraisal to estimate the Market Value of the Fee Simple Interest in a .5 acre portion of Seawall Lot 330, located at Bryant and the Embarcadero in the City of San Francisco, was prepared by Clifford Associates for the San Francisco Real Estate Department in February 2003.

The subject property encompasses only the northwest portion of the triangular Seawall Lot 330. For purposes of the analysis, the appraisal was based on an area of approximately .5 acre or 22,000 square feet that is designated for development of 137 units within a 20-story tower structure. Overall, the proposed development reflects a density of 274 units/acre.

Based upon the analysis in the appraisal report, the estimated Market Value of the Fee Simple Interest in the subject property is **Nine Million Three Hundred Thousand Dollars ($9,300,000).**

Copies of the appraisal report, entitled *Appraisal Report, Development Site Seawall Lot 330, Bryant St./The Embarcadero, San Francisco, CA,* are on file with the Department of Real Estate and the Port of San Francisco.

Sincerely,

for Marc McDonald
Director of Property

cvh:\sw330cliffordltr

) 554-9850
: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400

San Francisco, 94102

Item 4 – File 03-0633

Department: Department of Parking and Traffic (DPT)
Tax Collector

Item: Ordinance amending Section 4910 of the Police Code to vest authority to promulgate regulations for Sections 4901-4914 of the Police Code regarding Parking Tax revenue in the Executive Director of the Department of Parking and Traffic, instead of the Tax Collector.

Description: On March 28, 2001, the Board of Supervisors approved an ordinance (File No. 00-2197) that added Article 49, Sections 4901-4914 to the Police Code to require parking stations[1] to have revenue control equipment and to provide receipts to customers. Sections 4901-4914 also requires that all parking lot operators retain parking vouchers (receipts) issued and returned by a customer for a period of five years and that such vouchers be presented to City auditors immediately upon request. This allows the City to ensure that it is collecting the Parking Tax revenues to which it is entitled.[2]

Currently, the Tax Collector has the authority to promulgate regulations for Sections 4901-4914 of the Police Code, which according to Mr. Ted Lakey of the City Attorney's Office, is the authority to administratively interpret and develop regulations for Section 4901-4914, including penalties for fraud or underpayment of Parking Taxes. According to Ms. Shana Margolis of the Tax Collector's Office, the Tax Collector has not established such administrative regulations.

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[1] San Francisco Business and Tax Regulations Code Article 9 states that parking stations include but are not limited to (1) any outdoor space or uncovered plot, place, lot, parcel, yard or enclosure, or any portion thereof, where motor vehicles may be parked, stored, housed or kept, for which any charge is made; (2) any building or structure, or any portion thereof in which motor vehicles may be parked, stored, housed or kept, for which any charge is made.

[2] Currently, the Parking Tax rate is 25 percent of all parking fees. This tax rate is comprised of a 15 percent base rate and a ten percent surcharge. According to Article 9, part III of the San Francisco Business and Tax Regulations Code, revenues collected from the Parking Tax 15 percent base rate are to be used for the following purposes: (a) the administration of Article 9 not to exceed 4 percent of the total amount collected, (b) refunds of overpayments of the tax imposed, (c) 66 2/3 percent of the balance of the monies collected is allocated to the MUNI, and (d) 33 1/3 percent of the balance of the monies collected is used exclusively for senior citizens' programs. All the Parking Tax proceeds from the 10 percent Parking Tax Surcharges are dedicated to the General Fund.

The proposed ordinance would provide the Director of Parking and Traffic, instead of the Tax Collector, with the authority to administratively interpret and develop regulations under Section 4901-4914 of the Police Code with respect to Parking Taxes.

Comments:

1. According to Ms. Diana Hammons of the Department of Parking and Traffic (DPT), the DPT may need additional staff for the enforcement of Parking Tax ordinance requirements. However, Ms. Hammons cannot estimate the costs of such enforcement until the DPT develops regulations for Section 4901-4914 of the Police Code, which may include penalties for fraud or underpayment of Parking Taxes. Ms. Hammons advises that the DPT wishes to report back to the Finance and Audits Committee in six months regarding whether regulations for Section 4901-4914 of the Police Code would require additional enforcement staffing.

2. The proposed ordinance does not have fiscal impact because it would simply transfer the authority for administrative interpretation of Section 4901-4914 from the Tax Collector to the Director of Parking and Traffic. However, should the Director of Parking and Traffic develop administration regulations for Section 4901-4914, including penalties for fraud or underpayment of Parking Taxes, the DPT may require additional enforcement staff and additional revenue could be realized by the City through increased compliance with Parking Tax ordinance requirements.

Recommendation:

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 5 - Files 03-0884

Department: Real Estate Division (RED)
Department of Human Resources (DHR)

Item: Resolution authorizing a lease renewal at 44 Gough Street for the Department of Human Resources.

Location: 44 Gough Street: the entire three-story building, consisting of approximately 34,955 square feet, between Market and Mission Streets.

Purpose of Lease: Office space for the Department of Human Resources (DHR), including DHR's: (a) Administrative Services Division, (b) Information Services Division, (c) Merit System Services Division, (d) Employee Relations Division and (e) Equal Employment Opportunities Unit.

Lessor: Hovorka Realty and Investments

Lessee: City and County of San Francisco, on behalf of the Department of Human Resources, through the Real Estate Division

Description: The proposed resolution would authorize a lease renewal at 44 Gough Street of 34,955 square feet of space for the Department of Human Resources (DHR). The proposed resolution would not modify the total space of 34,955 square feet presently leased by the DHR under two separate leases. According to Mr. Jerry Romani of the Real Estate Division (RED), the DHR is the sole tenant at 44 Gough Street.

Mr. Romani reports that the DHR first occupied 27,000 square feet at 44 Gough Street in August of 1990. In February of 1995 the DHR occupied an additional 7,955 square feet under a separate lease with the lessor, for a total of 34,955 square feet. According to Mr. Romani, the City still currently holds two separate leases for 27,000 square feet and 7,955 square feet. However, Mr. Romani advises that the proposed lease renewal would now consolidate the entire 34,955 square feet at 44 Gough Street under one lease.

Term of Lease: Five years, commencing on July 1, 2003, and terminating on June 30, 2008.

Right of Renewal: One additional five-year option with rent adjusted to 95 percent of the prevailing market rate at the time of renewal.

Monthly and Annual Rent Payable by the City to Lessor: Presently, the monthly rent for the two existing leases, which expired on June 30, 2003, is $1.30 per square foot per month or $45,441.50 monthly for the entire 34,955 square feet of space. This monthly rent payable by the City to the lessor, Hovorka Realty and Investment, in Year 1 of the proposed five-year lease renewal would remain the same at $45,441.50 monthly. Under the proposed lease renewal, the rent would increase by 21.8 percent in Years 2 through 5 to $55,345 monthly or approximately $1.58 per square foot per month or $664,140 annually. There would be no additional rent increases over the five-year term of the lease.

Source of Funds: General Fund monies appropriated by the Board of Supervisors to the DHR in the DHR annual budget.

Utilities and Janitorial Services: The City pays the cost of utilities within the premises. According to Mr. Romani the City would pay an estimated $29,913 annually for utilities during the first year of the proposed lease renewal in addition to the base rent. This provision is consistent with the two existing leases. The lessor would provide janitorial services at no additional cost to the City. Mr. Romani reports that the proposed lease renewal includes specific language for improvements to janitorial services over the level of janitorial services currently provided. Such improved janitorial services include (a) cleaning of the sidewalk and parking area adjacent to the building, (b) wet mopping of the print shop floor and (c) maintaining exterior landscape.

Comments:

1. Mr. Romani advises that the proposed rental rate for the first year of the proposed lease renewal of $1.30 per

square foot per month has been the same rent charged to the City since July 1, 2000.

2. Mr. Romani reports that the current fair market rate for rental space similar to 44 Gough Street is approximately $1.50 per square foot per month, and therefore the rental rate of $1.30 per square foot per month during the first year of the proposed lease renewal is below the fair market rate. As noted above, the proposed rental rate will increase from $1.30 to 1.58 per square foot per month in years 2 through 5. Mr. Romani states that the $1.58 per square foot per month represents fair market value for years 2 through 5.

3. According to Mr. Romani, the lessor will conduct an inspection, at its sole expense, of the heating, ventilation and air conditioning (HVAC) system and the roof of the leased premises. The lessor would be responsible for making any needed repairs to the HVAC system or the roof.

Recommendation: Approve the proposed resolution.

Item 6 - File 03-0890

Department: Port of San Francisco (Port)

Item: Resolution approving a new lease agreement between Imperial Parking, Inc. (Imperial), and the City and County of San Francisco operating by and through the San Francisco Port Commission for Imperial to operate a surface parking lot at the Port's Seawall Lot 330, located at the Embarcadero between Bryant and Beale Streets.

Location: Seawall Lot 330 located at Embarcadero between Bryant and Beale Streets.

Purpose of Lease: To provide space for the continued operation of a public surface parking lot, which would accommodate approximately 500 vehicles.

Lessor: City and County of San Francisco

Lessee: Imperial Parking, Inc.

No. of Sq. Ft.: Approximately 124,065 square feet.

Proposed Rental Payment By Lessee to City:

Base Rent Under the Proposed Lease Agreement:

$48,280 monthly (approximately $0.39 per square foot per month based on 124,065 square feet of space) or $579,360 annually. Beginning on the first anniversary date of the proposed lease, the Base Rent would be adjusted annually for a cost of living adjustment based on the Consumer Price Index. According to Mr. Jefferey Bauer of the Port, in December of 2003, the Base Rent would be reduced on a pro-rata basis by the conveyance of 22,000 square feet of the subject parcel to San Francisco Cruise Terminal, LLC (see Comment No. 1).

Percentage Rent Under the Proposed Lease Agreement:

Imperial Parking, Inc. shall pay to the Port the greater of 1) the Base Rent or 2) the Percentage Rent calculated at 66 percent of Gross Receipts net of the 25 percent Parking Taxes. According to Mr. Bauer, during the one-year period from June 1, 2002 through May 31, 2003, total Gross

Receipts less Parking Taxes collected by the current lessee, for the operation of the surface parking lot at Seawall Lot 330 totaled $801,775, of which 66 percent is $529,172, which is less than the proposed Base Rent of $579,360 annually.

Utilities and Janitorial Services: All utilities and janitorial services shall be paid for by the lessee.

Term of Lease: The lease term is two years, commencing on August 1, 2003 or upon approval of the Board of Supervisors. The City can terminate the lease, without cause, at any time, upon 60 days notice.

Right of Renewal: None

Lessor's Option to Expand: Under the provisions of the proposed lease, the Port may exercise the option to allow Imperial Parking, Inc. to expand parking operations in space south of the Ferry Building (see Comment No. 2).

Description: The proposed new lease agreement between the Port and Imperial Parking, Inc would authorize Imperial Parking, Inc. to operate a surface public parking lot on City-owned property located at Seawall Lot 330, Embarcadero between Bryant and Beale Streets. Currently, the entire 124,065 square feet parcel is being leased on a month-to-month basis to, and operated by City Parking Company, as a public parking lot, under a previously conducted Invitation for Bids process. According to Mr. Elliot Riley of the Port, under the original two-year lease with City Parking Company, which commenced on February 1, 1999, City Parking Company paid to the Port the greater of 1) the Base Rent in the amount of $47,096 monthly or $565,152 annually, which is $1,184 monthly or $14,208 annually less than the proposed Base Rent to be paid by Imperial Parking, Inc. or 2) the Percentage Rent calculated at 66 percent of Gross Receipts net of the 25 percent Parking Taxes, the same percentage as the proposed lease.

Comments:

1. According to Mr. Bauer, 22,000 square feet of the 124,065 square feet parcel is designated by the Port to be a future condominium development site to be conveyed to the San Francisco Cruise Terminal, LLC in December of 2003. According to Mr. Bauer, the Port anticipates consideration by the Board of Supervisors of the conveyance of property in July of 2003. Mr. Bauer reports that when the 22,000 square feet of space is conveyed to the San Francisco Cruise Terminal in December of 2003, the Port anticipates that the San Francisco Cruise Terminal will immediately exercise their option, as provided for in the subject lease agreement, to gain exclusive control over the 22,000 square feet of space.

2. In accordance with the subject lease agreement, immediately upon verbal notice, the Port and/or a condominium developer of the San Francisco Cruise Terminal may enter the subject premises to conduct pre-development inspections and surveys. Additionally, under provisions of the lease agreement, at any time during the subject lease period, the condominium developer may use up to 22,000 square feet of the 124,065 square feet parcel, and thereby reduce the subject leased space in order to, 1) accommodate the construction of a condominium project, 2) provide space for materials and supplies related to construction, or 3) landscape the property. According to Mr. Bauer, any reduction of the leased space resulting from such activities would be offset by a pro-rata reduction of the Base Rent paid by Imperial Parking, Inc.

3. Under the provisions of the proposed lease, the Port may exercise the option to allow Imperial Parking, Inc. to expand parking operations in space south of the Ferry Building. According to Mr. Bauer, the expansion area would consist of approximately 565,500 square feet of space on Pier 30/32 and would accommodate approximately an additional 500 vehicles. Such expanded parking operations are for purposes of accommodating public parking demand related to a potential increase from a) an overflow from the Seawall Lot 330 parking lot, b) special events such as baseball games, c) film companies, and d) special needs such as oversized trucks and tour bus parking. According to Mr. Bauer, Imperial Parking, Inc. would pay the Port additional rent of 66

percent of Gross Revenues per month net of Parking Taxes, resulting from the operation of the expansion area.

4. In January of 2003, the Port issued an Invitation for Bids for the subject lease. Attachment I, provided by the Port, includes the names of all the publications in which the Invitation for Bids was advertised and the dates of those advertisements. According to Mr. Bauer, a major goal of the Port Commission was to encourage the participation of minority-owned and economically disadvantaged businesses and the Port advertised in a wide variety of publications to reach MBE/WBEs. The Port received requests for 41 bid packages and ultimately received bids from six parking lot operators, two of which were MBE/WBEs. Attachment II, provided by the Port, lists the six companies that responded to the Invitation for Bids and the monthly bid amounts submitted by each. As reported by the Port in Attachment II, "Imperial Parking, Inc. was the highest responsive bidder eligible for the award of this contract."

Recommendations: Approve the proposed resolution.

Qiao Lin

06/02/03 10:20 AM

To: Jeff Bauer/SFPORT/SFGOV@SFGOV
cc: Warren Young/SFPORT/SFGOV@SFGOV
Subject: Ads for the RFP of Imperial Parking at Seawall Lot 330

Here is the ads I copied from AdTech regarding the RFP. Thanks.

Qiao Yi

AdTech

Orders Created | 4 Total Orders: 8

Status	Order No	Notice Description	Ad Description	Created Date	Pubdates	Length	Price
Newspaper Name ASIAN WEEK S.F.							
19	48805 4	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/06/03, 02/13/03, 02/20/03, 02/27/03	1.00	
Newspaper Name EL MENSAJERO							
21	49439 7	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/02/03, 02/09/03,	.00	

					02/16/03, 02/23/03		
Newspaper Name MERCURY NEWS							
21	49441 5	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/03/03, 02/10/03, 02/17/03, 02/24/03	.00	
Newspaper Name PHILIPPINE NEWS							
21	48805 5	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/05/03, 02/12/03, 02/19/03, 02/26/03	.00	
Newspaper Name SAN FRANCISCO BAYVIEW/SF CITY-COUNTY							
21	49440 3	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/05/03, 02/12/03, 02/19/03, 02/26/03	1.00	
Newspaper Name SAN FRANCISCO CHRONICLE							
19	49440 7	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/02/03, 02/16/03	1.00	
Newspaper Name SAN FRANCISCO INDEPENDENT 90%							
21	48805 6	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/04/03, 02/13/03, 02/18/03, 02/27/03	1.00	

Newspaper Name THE OAKLAND TRIBUNE

19	49441 1	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/08/03, 02/15/03, 02/22/03, 03/01/03	1:00	

City and County of San Francisco

Willie Lewis Brown, Jr.
Mayor

Human Rights Commission

Contract Compliance
Dispute Resolution/Fair Housing
Minority/Women/Local Business Enterprise
Lesbian Gay Bisexual Transgender & HIV Discrimination

Virginia M. Harmon
Executive Director

MEMORANDUM

TO: Ken Winters, Director Real Estate, Port of San Francisco.
Mark Lozovoy, Asst. Deputy Director, Port of San Francisco.
Elliott Riley, Project Manager, Port of San Francisco.

FROM: Selormey Dzikunu, Contract Compliance Officer
Human Rights Commission

DATE: April 14th, 2003

RE: Award Eligibility for SWL 330 Parking Lot Operations

The Human Rights Commission ("HRC") has evaluated the bids submitted for the above referenced RFP for compliance with HRC requirements. Six firms submitted bids and the HRC and Port staff evaluated all six bids including: Tower Valet, Imperial Parking, City Parking, Bayside Village Associates, Priority Parking and Pacific Park Mgmt. Inc.

BIDDER	CERTIFICATION STATUS	BID AMOUNT	RESPONSIVE	RANKING
TOWER VALET	NONE	$51,500.00	NO	NONE
IMPERIAL PARKING	**NONE**	**$48,280.00**	**YES**	**1**
CITY PARKING	NONE	$40,700.00	-	2
BAYSIDE VILLAGE	NONE	$36,960.00	-	3
PRIORITY PARKING	MBE	$34,242.00	-	4
PACIFIC PARK MGMT	MBE	$33,502.00	-	5

After reviewing Tower Valet Parking Inc's proposal Port staff determined that it did not meet the minimum bidder qualifications and the proposal was deemed non-responsive.
Paragraph IV (Bidder Qualifications) of the RFP required all bidders to,

> *"have managed not less than 240 parking spaces with combined monthly gross revenue of at least $20,000 (including parking taxes) for a minimum of twenty-four (24) consecutive months within the past five (5) years. In the case of a joint venture at least one of the partners must satisfy this requirement."*

Tower Valet did not meet the above requirement. Additionally Port staff determined that the Dun and Bradstreet report of annual sales for Tower Valet, reflected estimated sales of only $120,000 for a one year period (2000) with no availability of sales records for prior years.

The Project Manager in a letter dated March 28, 2003 informed Tower Valet Parking Inc. of the Port staff determination. As of April 14th, 2003 no protest or explanations have been received from Tower Valet Parking, Inc. The HRC concurs with Port staff's determination of Tower Valet's proposal as non-responsive.

Imperial Parking (U.S.) Inc., the second highest bidder's RFP was reviewed and deemed responsive to all the RFP's requirements. Imperial Parking Inc's proposal is also responsive to all HRC requirements. Based upon the foregoing, the HRC declares Imperial Parking (U.S.) Inc. the highest responsive bidder eligible for the award of this contract. If you have any questions, please do not hesitate call me at (415) 274-0511

Items 7 and 8 - File Nos. 03-1017 and 03-1018

Department:	Administrative Services, Real Estate Division (RED) Department of Human Services (DHS) Department of Building Inspection (DBI)
Item 7 – File 03-1017:	Resolution authorizing a new lease of approximately 51,119 square feet of space for the Department of Human Services at 1650 Mission Street for a term of five years.
Item 8 – File 03-1018:	Resolution authorizing a new lease of approximately 13,706 square feet of space for the Department of Building Inspection at 1650 Mission Street for a term of five years.
Purpose of DHS Lease (File 03-1017):	Office space for DHS In Home Supportive Services Division
Purpose of DBI Lease (03-1018):	Office space for DBI
Lessor:	G & I Mission, L.L.C.
Lessee:	City and County of San Francisco, through the Real Estate Division, acting for the Department of Human Services and the Department of Building Inspection
No. of Sq. Ft. and cost per month (DHS lease File 03-1017):	51,119 square feet at a monthly rate of $133,420.59 (approximately $2.61 per square foot per month)
No. of Sq. Ft. and cost per month (DBI lease File 03-1018):	13,706 square feet at a monthly rate of $34,510.36 (approximately $2.52 per square foot per month)
Annual Rent (DHS Lease, File 03-1017):	$1,601,047.08

Annual Rent (DBI Lease, File 03-1018):	$414,124.32
Sources of Funds (DHS lease, File 03-1017):	66 percent from State and Federal Funds and 34 percent from the General Fund, included in the DHS annual budget
Source of Fund (DBI lease, File 03-1018):	DBI Special Fund Revenues from permits and other fees, included in the DBI annual budget
Utilities and Janitorial Services for both DHS (File 03-1017) and DBI (File 03-1018) leases:	Utilities and Janitorial Services will be provided by the landlord.
Term of Lease for both DHS (File 03-1017) and DBI (File 03-1018) leases:	Five Years beginning August 1, 2003 and ending July 31, 2008
Right of Renewal for both DHS (File 03-1017) and DBI (File 03-1018) leases:	One option to renew for an additional term of five years at ninety-five percent of the then fair market rental, as determined by negotiation and or third party appraisal

Description:

Currently, the City leases a total of 85,521 square feet of space at 1650 Mission Street for the Department of Human Services (DHS), the Department of Building Inspection (DBI) and the Department of Aging and Adult Services (DAAS) which in total houses 447 employees at an annual cost of $2,538,094.56 and monthly rent of $211,507.88.

The City's lease of the 85,521 square feet is the result of an original lease of 39,109 square feet and the addition of 46,412 square feet through three lease amendments. The original lease, the first amendment and a portion of the

second amendment, to the original lease all expire on July 31, 2006. A portion of the lease space under the second amendment and the leased space under the third amendment expires on August 31, 2005 and February 28, 2006 respectively.

The current leased space at 1650 Mission Street is apportioned to DHS, DBI and DAAS as follows:

	Department			
	DHS	DBI	DAAS	Total
Total Square Feet	62,167	12,308	11,046	85,521
Number of Employees	258	67	122	447
Annual Rent	$1,480,356	$384,338.40	$673,400.16	$2,538,094.56
Monthly Rent	$123,363.00	$32,028.20	$56,116.68	$211,507.88
Approximate Rent Per Square foot per month	$1.98	$2.60	$5.08	$2.47
Square Feet Per employee	240.96	183.70	90.54	191.32

The proposed lease renewal would restate the 85,521 in square feet of space leased by the City according to Building Owners and Manager's Association (BOMA) standards into 86,916 square feet for the same space which is 1,395 square feet or 1.6 percent more than the previously stated 85,521 square feet.

According to Mr. Charlie Dunn of the Real Estate Division, as of the writing of this report, the Department of Aging and Adult Services is currently vacating the 11,046 square feet of leased premises at 1650 Mission Street and will relocate to space formerly occupied by the Public Utilities Commission at 875 Stevenson Street as previously approved by the Board of Supervisors under a resolution authorizing the exercise of an extension option at 875 Stevenson Street for various City departments (File 02-1876).

After adjusting for the BOMA standards and considering the vacated DAAS space, DHS will be leasing 51,119 square feet and DBI will be leasing 13,706 square feet.

The DHS and DBI operations currently located at 1650 Mission Street would remain at 1650 Mission Street under two new leases that would begin on August 1, 2003 and terminate on July 31, 2008.

The two proposed new leases for DHS (File 03-1017) and DBI (File 03-1018) are summarized as follows:

	Department		
	DHS	DBI	Total
Total Square Feet	51,119	13,706	64,825
Number of Employees	258	67	325
Annual Rent	$1,601,047.08	$414,124.32	$2,015,171.40
Monthly Rent	$133,420.59	$34,510.36	$167,930.95
Approximate Rent Per Square foot per month	$2.61	$2.52	$2.59
Square Feet Per employee	198.14	204.57	199.46

The subject area for DHS is primarily used for DHS administrative office space to operate its In Home Supportive Services (IHSS) program, according to Mr. Phil Arnold of DHS. IHSS provides services to low-income elderly and disabled persons in the City so that they can live safely in their own homes rather than be placed in a nursing home or group facility, according to Mr. Arnold. Services provided by IHSS include personal care such as bathing, grooming, feeding, etc. According to Mr. Arnold, there are approximately 12,000 persons currently receiving services from IHSS.

According to Ms. Taras Madison of DBI, the subject area for DBI is primarily used for administrative office space for DBI, including records management, financial services, personnel and technical services. Additionally, the subject area is used for DBI Code Enforcement services.

Comments:

1. Under the proposed DHS lease (File 03-1017), the City would pay a total monthly rent for DHS's 51,119 square feet of $133,420.59, or $2.61 per square foot per month for the five-year term through July 31, 2008, with no rent increases during the term of the lease. This is $10,057.59, or 8.15 percent more per month than the existing rent of $123,363. According to Mr. Dunn, the proposed lease provides the City a total allowance of $436,523.58, as shown in Attachment I and II provided by Mr. Dunn. The allowance of $436,523.58 includes $129,617.28 for slightly less than one month of free rent and $306,906.30 for tenant improvements. The tenant improvements are to be paid solely by the lessor. Mr. Dunn advises that the $306,906.30 amount for tenant improvements was negotiated with the Lessor. Attachment I shows the tenant improvement allowance for DHS is $6.00 per square foot. Mr. Dunn notes that any of the $306,906.30 allowance that is not used for tenant improvements would be applied as a credit against the City's rent. In addition, according to Mr. Dunn, the City's current obligation to pay $99,960 annually in operating expenses would be waived in the proposed lease and all operating costs would be paid by the landlord.

2. Under the proposed DBI lease (File 03-1018), the City would have a total monthly obligation for DBI's 13,706 square feet of $34,510.36 or $2.52 per square foot per month for the five-year term through July 31, 2008, with no rent increases during the term of the lease. This is $2,482.16, or 7.75 percent more than the existing lease of $32,028.20. According to Mr. Dunn, the proposed lease provides the City a total allowance of $115,637.50, as shown in Atachments I and II. The allowance of $115,637.50 includes $34,375 for slightly less than one month of free rent and $81,262.50 for tenant improvements. Mr. Dunn advises that the $81,262.50 amount was negotiated with the Lessor. Attachment I shows the tenant improvement allowance for DBI is $5.93 per square foot. Mr. Dunn notes that any of the $81,262.50 allowance that is not used for tenant improvements would be applied as a credit against the City's rent. In addition, according to Mr. Dunn, the City's

current obligation to pay $28,512 annually in operating expenses would be waived in the proposed lease.

3. Attachment II to this report is a memorandum from Mr. Dunn further explaining the proposed new lease agreements. According to Mr. Dunn, the proposed rents under the two new leases represent fair market rental value.

4. The proposed legislation (File No. 03-1018) incorrectly states the proposed monthly rent for DBI as $34,539.12, rather than the correct monthly rent of $34,510.36. According to Mr. Dunn, this is due to rounding errors. The official lease, signed by both the lessor, G & I Mission, and lessee, indicate that the agreed monthly rent for DBI is $34,510.36, or approximately $2.52 per square foot per month. The Budget Analyst recommends amending the legislation (File 03-1018) to reflect the correct monthly rent for DBI.

Recommendations:

1. Approve the proposed resolution (File 03-1017).

2. Amend the proposed resolution (File 03-1018) to reflect the correct monthly rent for DBI as $34,510.36, instead of $34,539.12 and approve the proposed resolution as amended.

y and County of San Francisco

Real Estate Division
Department of Administrative Services

July 1, 2003

TO: Jema Turk
Budget Analyst Office

FROM: Charlie Dunn
Principal Real Property Officer
Real Estate Division

RE: DHS & DBI Allowances

Both of the proposed leases for DBI and DHS provide the City with 2 allowances.

The first allowance is free rent at the beginning of the lease. The rent abatement is $129,617.28 for DHS and $34.375 for DBI

The second allowance is for tenant improvements. This second allowance ($306,906.30 for DHS and $81,262.50 for DBI) is to be used for improvements such as re-painting and re-carpeting. Any amount not used for tenant improvements will be used to further abate rent. Landlord is unwilling to spend the money to further define and cost out City's improvements until such time as a lease has been approved by the Board of Supervisors and fully executed. However these additional allowances equate to approximately $6 psf for DHS and $5.93 psf for DBI and $6 psf is a generally recognized industry standard cost for re-painting and re-carpeting occupied premises (which would require after-hours work, movers, security, and other associated costs).

Thus the total allowances are $436,523.58 for DHS and $115,637.50 for DBI

If you have any questions, please call me at 554-9861

554-9850
(415) 552-9216
Office of the Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

ity and County of San Francisco

Real Estate Division
Department of Administrative Services

July 1, 2003

TO:. Jema Turk
Budget Analyst Office

FROM: Charlie Dunn
Principal Real Property Officer
Real Estate Division

C Dunn

RE: DHS & DBI rents

The proposed fully serviced rental rates of $31.32 psf for DHS and $30.24 psf for DBI, are based on a "blend & extend" rental at $25 psf plus the amortization at 0% interest of other existing City lease obligations at $55 to $65 psf

The Real Estate Division believes that the proposed rates of $31.32 psf and $30.24 psf, fully serviced, are fair market value based on all factors including but not limited to:

- The provision of rent abatement in 2003/2004 of $129,617.28 for DHS and $34,375 for DBI.
- The provision of an additional allowance of $306,906.30 for DHS and $81,262.50 for DBI which if not used for improvements can also be used to abate rent.
- The elimination of all current operating expense pass throughs (which saves the City more than $99,690 for DHS and $59,400 for DBI of current obligations).
- The elimination of all future operating expense pass throughs for DHS and DBI
- The transferring of the existing Department of Adult and Aging Services (DAAS) obligation to the second floor, eliminates for DHS the substantial moving expenses on 11,046 sf.

For these reasons, the proposed lease renewal rates compare favorably with other Civic Center transactions.

Budget an FMV memo r2

Item 9 - File 03-1050

Department: Administrative Services, Real Estate Division (RED)
Public Library

Item: Resolution authorizing the execution and performance of an Agreement of Purchase of Real Estate for the City's purchase of real property and improvements located at 201 Leland Avenue, subject to a short term lease with the Seller, for use as the Visitacion Valley Branch Library of the San Francisco Public Library; adopting findings under the California Environmental Quality Act; and adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Description: Approval of the proposed resolution would authorize the Director of Property to acquire the property located at 201 Leland Avenue on behalf of the Public Library for use as the Visitacion Valley Branch Library. The property located at 201 Leland Avenue consists of 16,637 square feet of land and a building consisting of 14,830 square feet currently owned by San Jeev Kharbanda, Sunil Kumar Kharbanda, Parvesh C. Kharbanda, and Sumitra Kharbanda, all collectively referred to as Seller. The Seller, doing business as the Super Fair Market, currently occupies the subject property.

The Visitacion Valley Branch Library is currently located in a leased 2,300 square foot facility at 45 Leland Avenue for which the Public Library pays approximately $3,703 per month, or approximately $1.61 per square foot per month. The current lease expires August 31, 2004.

Mr. George Nichols of the Public Library advises that the acquisition cost of $2,200,000 at 201 Leland Avenue for the new Visitacion Valley Branch Library building will be funded through voter approved Proposition A, a Branch Library Facilities Improvement Bond Measure, issued to improve the Public Library Branches. Mr. Nichols adds that Proposition A included funds for renovating existing branch libraries and acquiring permanent locations for branches currently in leased facilities. The subject purchase includes 16,637 square feet of land at 201

Leland Avenue and what is currently the Super Fair Market, a building which will be demolished in order to begin construction of the new Visitacion Valley Branch Library.

Location: 201 Leland Avenue, at the southwest corner of Rutland and Leland Avenue, San Francisco.

Seller: Mr. San Jeev Kharbanda, Mr. Sunil Kumar Kharbanda, Mr. Parvesh C. Kharbanda, and Ms. Sumitra Kharbanda, all collectively referred to as Seller.

Buyer: City and County of San Francisco

Purchase Price: $2,200,000, for 16,637 square foot of property consisting of land and a building known as the Super Fair Market, located at 201 Leland Avenue plus $606,000 for the related costs. A budget for the related property acquisition costs is shown in Attachment I, provided by Mr. Charlie Dunn of the Real Estate Division. The purchase price of $2,200,000 results in a cost per square foot of approximately $132.24. The Purchase and Sale Agreement provides, at the Seller's option, for the City to leaseback the land and building to the Seller for a period not to exceed 6 months in order to provide time for the Seller to relocate, which could then result in a tax deferred exchange of property for the Seller. The City would hold back $200,000 of the purchase price as a security deposit for Seller's performance under the leaseback. According to Mr. Dunn, the security deposit held for performance includes items such as timely receipt of rent payments, leaving the property in good condition, vacating at the scheduled date and time, etc. as determined by the Real Estate Division. The Seller would have the right to leaseback the property on a month to month basis for a period not to exceed six months (180 days) paying the City rent of: $1,000 per month for the first 90 days (a total of $3,000), $5,000 per month for the next 30 days, $10,000 per month for the next 30 days, and $16,500 for the last 30 days for a total rent over six months of $34,500, or an average rent per square feet of $2.07. In the event the Seller has not vacated the property within the 180 day period, in addition to the $16,500 per month rent for the final 30 days, the City shall at its

option, keep a portion of the $200,000 holdback at the rate of $100 per day for the first 15 days, $200 per day for the next 30 days, $400 per day for the next 30 days, and $800 per day thereafter.

Source of Funds: Branch Library Facilities Improvement Bond monies

Comments:

1. According to Mr. Dunn, the subject property was appraised at $2,225,000 on April 18, 2003 by Hamilton, Ricci and Associates. The firm Hamilton, Ricci and Associates was retained by the Real Estate Division. Attachment II, provided by Mr. Dunn, is a copy of the appraisal conducted by Hamilton, Ricci and Associates on the subject property. Mr. Dunn reports that the proposed acquisition costs of $2,200,000 to be paid by the City is slightly below the appraised value of $2,225,000.

2. In addition to the acquisition costs of $2,200,000, according to Ms. Susan Hildreth of the Public Library, the new Visitacion Valley Branch Library, which will contain an estimated 7,200 square feet, is estimated to cost $2,265,000 in construction costs, or approximately $314.58 per square foot, and approximately $755,000 in design expenses, for total estimated costs of $3,020,000 also to be funded from the Branch Library Facilities Improvement Bond Funds. Ms. Hildreth advises that the new Visitacion Valley Branch Library is anticipated to open in the summer of 2007.

3. On April 30, 2003, the Department of City Planning found that the proposed acquisition of 201 Leland Avenue is consistent with the City's General Plan and the Eight Priority Policies under Planning Code Section 101.1.

4. On April 30, 2003, the Department of City Planning found that the proposed acquisition of 201 Leland Avenue is categorically exempt from environmental review under the California Environmental Quality Act because it has no potential for causing a significant effect on the environment.

Recommendation: Approve the proposed resolution.

Visitacion Valley Branch Library
Closing and Related Costs

Associated Property Acquisition Costs	Amount
Closing costs [4]	$0
Title Insurance [4]	0
Appraisal [3]	6,000
City Attorney services [3]	8,000
Site Preparation [1]	425,000
Environmental Studies & Oversight [3]	50,000
Boundary Survey [3]	10,000
Feasibility Study [3]	48,000
CEQA & Re-Zoning for Building [2]	55,000
CEQA & General Plan Referral for Property	4,000
Acquisition [2]	0
Total:	**$606,000**

1 Estimated, includes demolition, removal of paving, disposal fees, abatement, utility connection fees, safety fencing, signage.
2 Estimated
3 Paid or Quoted
4 Closing costs & Title Insurance includes offsetting City credit for Transfer taxes.

Source: Administrative Services, Real Estate Division

HAMILTON, RICCI & ASSOCIATES, INC., 930 MONTGOMERY STREET, SUITE 300, SAN FRANCISCO, CA 94133 415 788-7722 FAX 415 394-7778

23-04-037

April 18, 2003

Director of Real Estate
CITY & COUNTY OF SAN FRANCISCO
Real Estate Division
25 Van Ness Avenue, Ste. 400
San Francisco, California 94102

Re: **201 Leland Avenue**
San Francisco, California

Dear Director:

At your request and authorization, Hamilton, Ricci & Associates, Inc., has appraised the fee simple interest in the above referenced property. The subject property consists of one Assessor's parcel containing 16,367 square feet improved with a 14,830 square foot one and partial two- story retail building and paved surface parking. The subject's highest and best use, as estimated in this report, is for the development of a mixed use project with ground floor commercial uses and 21 condominium units. As of the date of value the property is owner/occupied.

The purpose of the appraisal assignment is to estimate the "as is" market value of the fee simple interest in the above referenced property. The function of the appraisal is for the exclusive use of the City and County of San Francisco for internal decision making regarding a purchase of the subject.

In the course of our investigation, we have personally inspected the subject site and the general environment in which it is located. In our valuation we have utilized the Sales Comparison approach to value. This report constitutes a Complete Appraisal in a self-contained format.

Based on our investigation and analysis, it is our opinion the "as is" market value of the fee simple interest in the subject property as of April 14, 2003 is:

TWO MILLION TWO HUNDRED TWENTY-FIVE THOUSAND DOLLARS
($2,225,000)

The subject property's marketing and exposure times are estimated to be 6-12 months.

Director
April 18, 2003
Page 2

The report that follows contains a summary of our investigation and analysis. The conclusions contained herein are subject to the Limiting Conditions attached. This report has been made in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and is subject to the requirements of the Code of Ethics and the Standards of Appraisal Practice of the Appraisal Institute, as well as the appraisal standards of the City and County of San Francisco.

Respectfully submitted,

HAMILTON, RICCI & ASSOCIATES, INC.

Walter L. Ricci, MAI, CCIM
Certified General Appraiser
California Certificate # AG009489

John S. Mateo, MAI
Certified General Appraiser
California Certificate #AG022411

Tax ID 94-3190470

Items 10 and 11 - File 03-1102 and 03-1115

Department: Sheriff's Department
Department of Human Resources

Item: File 03-1102

Ordinance adopting and implementing the Memorandum of Understanding between the City and County of San Francisco and the Deputy Sheriffs' Association regarding the amendment of the contract with the California Public Employees' Retirement System to provide the County's Sheriffs with the retirement benefits known as 3 percent at 55.

File 03-1115

Ordinance authorizing an Amendment to the Contract between the Board of Administration, California Public Employees' Retirement System, and the Board of Supervisors, City and County of San Francisco.

Description: On June 27, 2003, the Budget Committee recommended approval of and referred to the full Board of Supervisors a Resolution of Intention to approve an Amendment to the Contract between the California Public Employees' Retirement System (PERS) and the Board of Supervisors (File 03-0971) for consideration at the Board of Supervisors on July 8, 2003.

According to Ms. Linda Ross of the City Attorney's Office, the Public Employees' Retirement Law sets forth procedures by which the City enters into an amended contract with PERS on behalf of City employees. Ms. Ross advises that the Board of Supervisors must first approve a Resolution of Intent (File 03-0971) to amend the City's contract with PERS, and then adopt an ordinance (File 03-1115 of this report), authorizing the City to enter into a contract amendment with PERS.

File 03-1115

The proposed ordinance (File 03-1115) would approve a contract amendment between the City, on behalf of the Board of Supervisors, and PERS. The proposed PERS Contract Amendment would affect the Sheriff, the Undersheriff, Deputy Sheriffs, and certain miscellaneous City employees, who were formerly employed by the State Department of Mental Health and were transferred to City employment, and who are members of PERS. The proposed Contract Amendment between PERS and the Board of Supervisors would provide the following changes to the current PERS retirement benefits:

- The Sheriff, Undersheriff, and all Deputy Sheriffs, who are all members of PERS, will be eligible to receive retirement benefits at age 55, equal to three percent of the highest compensation in a single year, times the number of years of service, up to a maximum of 30 years of service. Therefore, a member retiring with 30 years of service at age 55 or older would receive retirement benefits equal to 90 percent (or 3 percent times 30 years) of their highest compensation in a single year. Ms. Linda Ross of the City Attorney's Office advises that currently, these classifications receive retirement benefits at age 50, equal to two percent of the highest compensation in a single year, times the number of years of service.
- Certain miscellaneous employees, who were formerly employed by the State Department of Mental Health and were transferred to City employment, will receive retirement benefits, which are calculated on their highest year of compensation. Currently, these employees receive retirement benefits, which are calculated on the average of the three highest years of compensation.

File 03-1102

The proposed ordinance (File 03-1102) would approve a Memorandum of Understanding (MOU) between the City and the Deputy Sheriffs' Association to

implement the increased PERS retirement benefits for Deputy Sheriffs. The proposed MOU provides that Deputy Sheriffs will be eligible to receive retirement benefits at age 55, equal to three percent of the highest compensation in a single year, times the number of years of service.

According to Ms. Ross, the proposed MOU states that the Deputy Sheriffs' Association has met its obligation to share in the increased cost of the proposed PERS contract amendment in FY 2003-2004 and FY 2004-2005. Ms. Ross advises that such cost sharing is provided in the Collective Bargaining Agreement between the Deputy Sheriffs' Association and the City, which was approved by the Board of Supervisors on May 20, 2003 and is effective from July 1, 2003 through June 30, 2005. Under the Collective Bargaining Agreement, the Deputy Sheriffs' Association has agreed to have the employees rather than the City pay the employees' share of the retirement contributions in an amount equal to 7.5 percent of salary for the two-year term of the Collective Bargaining Agreement. In the Collective Bargaining Agreements with the City's other employee organizations, employees pay the 7.5 percent contribution for just one year and not two years. Also, under the Collective Bargaining Agreement, the Deputy Sheriffs' Association agrees that its members will not receive the five floating holidays in compensation for paying their own retirement contribution in FY 2003-2004, which was provided in the Collective Bargaining Agreements with the City's other employee organizations.

Fiscal Impact: According to the cost analysis provided by PERS, under the proposed PERS contract amendment, the City's employer contribution rate for the Sheriff, Undersheriff, and Deputy Sheriffs will increase by 3.781 percentage points, from 6.431 percent of salary for FY 2002-2003 to 10.212 percent of salary in FY 2003-2004. According to Ms. Jean Mariani of the Sheriffs Department, the estimated increased cost, resulting from the proposed PERS rate increase, is $1,833,816 in FY 2003-2004 for Sheriffs Department

sworn classifications, which has been included in the Department's FY 2003-2004 budget.

According to the PERS Cost Analysis, under the Proposed PERS contract amendment, the City will not make an employer contribution on behalf of the eligible miscellaneous employees in FY 2003-2004 and in FY 2004-2005.

Recommendation: Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

Item 12 – File 03-1120

Department: Airport

Item: Resolution approving the Controller's Certification that Airport Information Booth Services at San Francisco International Airport can continue to be practically performed by private contractor at a lower cost than if such work were performed by City employees.

Services to be Performed: Airport Information Booth Services

Description: The Airport Information Booth Services Program was established by the Airport in 1990 to provide centralized locations for the purpose of (a) providing information to air passengers regarding Airport facilities and services, available ground transportation services, regional hotel accommodations, and visitor services and events, and (b) selling transit passes for regional public transportation systems to employees and Muni passports to visitors. Currently, the Airport has three information booths on the Arrival Levels in Terminal 1, Terminal 2, and the International Terminal. According to Ms. Alice Sgourakis of the Airport, the information booth at the International Terminal is open from approximately 9 a.m. to 7 p.m; and the information booths at Terminal 1 and Terminal 2 are open from 1 p.m. to 11 p.m.

Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work by City employees if the Controller certifies, and the Board of Supervisors concurs that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for the Airport Information Booth Services for Fiscal Year 2003-2004 would result in estimated savings as follows:

	Lowest Salary Step	Highest Salary Step
City-Operated Service Costs		
Salaries	$494,139	$585,723
Fringe Benefits	103,336	110,395
Total	$597,475	$696,118
Contractual Services Cost*	474,238	475,888
Estimated Savings	$123,237	$220,230

* According to Mr. Joe Matranga of the Controller's Office, the Contractual Services Cost includes (a) the current contractor's cost of $466,816, and (b) the salary and fringe benefits of a 0.10 FTE 1823 Senior Administrative Analyst position for contract monitoring, at the lowest salary step of $7,422, and highest salary step of $9,072.

Comments:

1. Ms. Sgourakis reports that Airport Information Booth Services were first certified as required under Charter Section 10.104 in Fiscal Year 1990-1991, and have been continuously provided by an outside contract since then.

2. Ms. Sgourakis reports that the most recent Airport Information Booth Services contract with Polaris/TRG Joint Venture began on September 15, 2001. The original contract term was for one year, expiring September 14, 2002, with four annual renewals up to a maximum term of five years. According to Ms. Sgourakis, the beginning date for the first one-year contract renewal term was modified from September 15, 2002 to July 1, 2002. Therefore, according to Ms. Sgourakis, the term for this second of four renewals would be from July 1, 2003 through June 30, 2004. According to Ms. Sgourakis, the Airport selected Polaris/TRG Joint Venture in January of 2001 through a Request for Proposals process.

3. Ms. Sgourakis reports that the Airport has exercised its second option to renew the Airport's contract with Polaris/TRG Joint Venture for the one-year period of July 1, 2003 through June 30, 2004. The proposed resolution would retroactively approve the Controller's certification from July 1, 2003 through June 30, 2004.

4. According to Mr. Matranga, the Contractual Services Cost used for the purpose of this analysis is based on the contractor's estimate of the cost to provide airport information booth services for Fiscal Year 2003-2004 as described above.

5. The Contractual Services Cost at the highest salary step of $475,888 for FY 2003-2004 is $303,083 or 38.9 percent less than the FY 2002-2003 cost of $778,971. Attachment I is a memorandum from Ms. Sgourakis explaining the reasons for the decrease in the Contractual Services Cost.

6. The Controller's supplemental questionnaire with the Department's responses is provided in Attachment II to this report.

Recommendation: Approve the proposed resolution.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Leanne Nhan
Budget Analyst

DATE: July 1, 2003

FROM: Duke Briscoe

SUBJ: Reduction in Information Booth Scope of Services

The following significant reductions in the Information Booth program were required in order to help balance the Airport's 2003-2004 Fiscal Year budget.

- Reduce booth hours from 8 a.m. – midnight to 9 a.m. to 11:00 a.m. and 1:00 p.m. to 7:00 p.m. (IT) and 1:00 p.m. – 11:00 p.m. (domestic).
- Reduce total staff from 19 to 8.5.
- Reduce booth staff from 2 per booth to one.

Should you require additional information, please do not hesitate to contact Alice Sgourakis, Landside Ground Transportation Manager, at (650) 821-6516.

Duke Briscoe
Deputy Airport Director
Operations

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department: Airport Commission
Contract Services: Airport Shuttle Bus Services
Contract Period: July 1, 2003 to June 30. 2004

1. Who performed the activity/service prior to contracting out?
With construction of the Remote Public Parking Facility in 1975, shuttle bus service was initiated by contract. Prior to 1975, the area was utilized as a small lot for SFIA employee parking. An employee van service was provided by Airport Parking Management (APM).

2. How many City employees were laid off as a result of contracting out?
None (See #1)

3. Explain the disposition of employees if they were not laid off?
N/A (See #1)

4. What percentage of City employees' time is spent on services to be contracted out?
N/A (see #1)

5. How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
Since 1975. The current contract commenced on January 1, 1998 for a 10-year period with up to five additional one-year options.

6. What was the first fiscal year for a Proposition J certification: Has it been certified for each subsequent year?
1974-1975. Yes, it has been certified each year since.

7. How will the services meet the goals of your MBE/WBE Action Plan?
Although this contract was not awarded to a MBE/WBE firm in 1996, it must adhere to the City's non-discrimination ordinance contained in Chapters 12B & 12C of the City's Administrative Code. The Contractor continues to utilize minority and woman owned suppliers (i.e., tire manufacturer and car cleaners).

8. Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?
The contract does not require health insurance. However, the contractor provides health insurance for its employees per a labor agreement.

9. Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?
The contractor provides benefits to spouses and domestic partners.

10. Does the proposed contractor meet the provisions of the Minimum Compensation Ordinance?
The contractor meets the provisions of the Minimum Compensation Ordinance.

Department Representative: [signature]
Duke Briscoe, Deputy Airport Director – Operations

Telephone Number: (650) 821-5010

DP.ino/WPDOC/043.03A9_DP2

Item 13 – File 03-1121

Department: Airport Commission

Item: Resolution approving the Controller's certification that shuttle bus services at San Francisco International Airport for (a) the San Francisco International Airport's Long-Term Parking lot, (b) the employee garage, and (c) surface Lot DD can continue to be practically performed by a private contractor at a lower cost than if such work were performed by City and County employees.

Services to be Performed: Shuttle Bus Services at San Francisco International Airport (SFO).

Description: Charter Section 10.104 provides that the City may contract with private firms for services which can be performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for the Airport shuttle bus services for FY 2003-2004 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$2,733,066	$3,702,404
Fringe Benefits	793,674	929,068
Total	$3,526,740	$4,631,471
Estimated Total Contractual Services Cost[1]	3,237,925	3,239,568
Estimated Savings	$288,816	$1,391,904

[1] According to Mr. Joe Matranga, of the Controller's Office, the difference in the Estimated Total Contract Cost is due to contract monitoring work performed by City employees at the lowest and highest salary steps.

Comments:

1. Shuttle bus services consist of providing free ground transportation to airline passengers between the terminals and long-term parking lot (Lot D), and to Airline and Airport employees between the terminals and the Airport's employee parking garage and employee parking lot (Lot DD).

2. Shuttle bus services for San Francisco International Airport were first certified as required by Charter Section 10.104 in FY 1974-75 and have been contracted out continuously since then.

3. According to Mr. Daniel Pino of the Airport, the Airport awarded a ten-year contract for the operation of shuttle bus services to SFO Shuttle Bus Company, effective January 1, 1998. The proposed resolution would retroactively approve the Controller's certification for the sixth full fiscal year of the ten-year contract, from July 1, 2003 through June 30, 2004.

4. The Contractual Service Cost, used for the purpose of this analysis, is based on the SFO Shuttle Bus Company's proposed contract for FY 2003-2004 to provide the shuttle bus services at the Airport, according to Mr. Pino.

5. According to Mr. Joe Matranga, of the Controller's Office, the Contractual Services Cost for FY 2003-2004, is approximately 6.0 percent less than the Contractual Services Cost for FY 2002-2003. According to Mr. Pino, this reduction in Contractual Services Cost is due to a decrease in service hours. However, Mr. Pino states that service hours could increase, by an unknown amount, due to the new SFO BART stop. Mr. Pino further states that the Airport would be closely monitoring usage over the next few months.

6. The Controller's supplemental questionnaire with the Department's response is shown in the Attachment to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department:	Airport Commission
Contract Services:	Airport Shuttle Bus Services
Contract Period:	July 1, 2003 to June 30, 2004

1. Who performed the activity/service prior to contracting out?
With construction of the Remote Public Parking Facility in 1975, shuttle bus service was initiated by contract. Prior to 1975, the area was utilized as a small lot for SFIA employee parking. An employee van service was provided by Airport Parking Management (APM).

2. How many City employees were laid off as a result of contracting out?
None (See #1)

3. Explain the disposition of employees if they were not laid off?
N/A (See #1)

4. What percentage of City employees' time is spent on services to be contracted out?
N/A (see #1)

5. How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
Since 1975. The current contract commenced on January 1, 1998 for a 10-year period with up to five additional one-year options.

6. What was the first fiscal year for a Proposition J certification: Has it been certified for each subsequent year?
1974-1975. Yes, it has been certified each year since.

7. How will the services meet the goals of your MBE/WBE Action Plan?
Although this contract was not awarded to a MBE/WBE firm in 1996, it must adhere to the City's non-discrimination ordinance contained in Chapters 12B & 12C of the City's Administrative Code. The Contractor continues to utilize minority and woman owned suppliers (i.e., tire manufacturer and car cleaners).

8. Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?
The contract does not require health insurance. However, the contractor provides health insurance for its employees per a labor agreement.

9. Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?
The contractor provides benefits to spouses and domestic partners.

10. Does the proposed contractor meet the provisions of the Minimum Compensation Ordinance?
The contractor meets the provisions of the Minimum Compensation Ordinance.

Department Representative: Duke Briscoe, Deputy Airport Director – Operations

Telephone Number: (650) 821-5010

DP.ino/WPDOC/043.03A9_DP2

Item 14 - File 03-1122

Department: Airport

Item: Resolution approving Modification No. 8, the Close-out Modification, of Professional Services Agreement for Contract 5700CM – Construction Management Services for the AirTrain System with PGH Wong Engineering/Luster Construction Management, in the amount of $650,000, resulting in a new total contract amount of $33,497,367.

Amount: $650,000

Source of Funds: Airport Revenue Bonds Issue 16A/13B

Description: On May 16, 1995 the Airport Commission awarded a Professional Services Contract to a joint venture of PGH Wong Engineering and Luster Construction Management[1] in the amount of $1,400,000, to provide construction management services for the AirTrain System located at the Airport[2]. According to Mr. Ivar Satero of the Airport, the contract was designed as a year-to-year contract, renewable on an annual basis, rather than as a multi-year contract, to permit the Airport to determine annually whether or not it was satisfied with the contractor's performance. Subsequently, the Airport Commission approved seven modifications to the subject contract to fund PGH Wong Engineering/Luster Construction Management to provide ongoing construction management services for both:

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[1] In addition to the two joint venture partners, PGH Wong Engineering, Inc. and Luster Construction Management, the original contract included four sub-consultants: CPM Services, EPC Consultants, Inc., AL Consulting, and O'Brien Kreitzberg Inc. Subsequently, the following sub-consultants were added to the contract: Lea + Elliot, Inc., National Constructor's Group, Transit Guideway Consultants, Battelle, Logplan LLC, MG Engineering, Fay & Associates, and Leigh Fisher Associates.

[2] The AirTrain system is a fully automated transit system used to transport passengers and Airport personnel between the Airport's terminals, parking structures, rental car facilities, cargo facilities, and remote parking facilities. The system comprises (a) the computerized AirTrain Operating System and the Central Control Facility, (b) a 7,000 foot clockwise Inner Loop track, a 7,000 foot counter-clockwise Outer Loop, and an approximately 1.5 mile dual lane track out to the remote parking facilities, (c) six stations, (d) 38 passenger vehicles and one maintenance recovery vehicle, and (e) five power distribution substations.

(a) The AirTrain System and Related BART Fixed Facilities Project. BART fixed facilities related to construction of the AirTrain System include the combined structures supporting both the AirTrain and BART train-track beds.

(b) Oversight of the Airport's share of the BART systems costs of the BART-SFO Extension construction project, which is a component of the BART-managed project to extend the BART system from Colma to two new stations at the San Francisco Airport and Millbrae.

As shown in Attachment I to this report, provided by Mr. Satero, the current total value of the PGH Wong Engineering/Luster Construction Management contract is $33,497,367 including the proposed final Contract Modification No. 8 in the amount of $650,000. Attachment II, provided by Mr. Satero, provides the costs for the contractor services for the requested expenditure of $650,000. According to Mr. Satero, no payments have been made to the contractor for this subject $650,000. As shown in Attachment II, total costs of $685,434, are detailed, which is $35,434 more than the requested $650,000. According to Mr. Satero, the $35,434 difference will be paid to the contractor, from Contract Modification No. 7 funds, if the final costs require such a payment.

Budget: Attachment I to this report describes a summary of the original contract, the reasons for the contract modifications, and the related amounts totalling $33,497,367. A summary of the contract costs is as follows:.

Contract Modifications	Amount
Original contract	$1,400,000
Contract Modifications No. 1 – 7	31,447,367
Contract Modification No. 8	650,000
TOTAL:	**$33,497,367**

Comments:

1. According to Mr. Satero, the original $1,400,000 contract was awarded to PGH Wong Engineering/Luster Construction Management following a Request for Qualifications process.

2. Under Charter Section 9.118(b), all contracts which are in excess of $10,000,000 or which have a term of ten years or more, except for construction contracts, are subject to Board of Supervisors approval. As shown in Attachment I, the contract with PGH Wong Engineering/Luster Construction Management totaled $10,023,000 with the authorization of Contract Modification No. 2, which was approved by the Airport Commission on November 5, 1996, thereby exceeding the $10,000,000 threshold by $23,000. However, Contract Modifications Nos. 2 through 6 were not submitted to the Board of Supervisors for approval. On May 31, 2002, the City Attorney issued Opinion No. 2002-03 pertaining to the application of Charter Section 9.118(b). In Opinion No. 2002-03, the City Attorney advises, with respect to contracts pertaining to architectural, engineering, and construction management services, that Board of Supervisors approval is required for contract modifications, if the modification causes the cumulative amount of the contract to exceed $10 million, or causes the term of the contract to exceed 10 years. As a result, Contract Modification No. 7 in the total amount of $2,644,367 was submitted to the Board of Supervisors on July 29, 2002 and was approved by the Board of Supervisors on August 26, 2002 (File No. 02-1290).

3. Mr. Satero states that the Airport does not anticipate any additional contract modifications to the PGH Wong Engineering/Luster Construction Management contract. Should the Airport require an additional contract modification, such modification would be subject to Board of Supervisors approval.

4. According to Mr. Satero, the BART-SFO Extension began operating on June 22, 2003 and the AirTrain System began operating on April 4, 2003.

5. According to Mr. Satero, the Airport is pursuing the recovery of funds related to the AirTrain System accident on August 4, 2002, from Bombardier Transportation, the contractor for the AirTrain System installation. As stated in Attachment I to this report, the Airport is seeking a total reimbursement of $987,218 related to the AirTrain accident. Mr. Satero states it may become necessary to utilize funds from the Airport's self insurance program, the Owner Controlled Insurance Program (OCIP).

Recommendation: Approve the proposed resolution.

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

MEMORANDUM

TO: Budget Analysts' Office

FROM: Ivar Satero, Administrator
Bureau of Design & Construction

DATE: July 2, 2003

PROJECT: File 03-1122
Modification No. 8 to Airport Contract 5700.CM - Professional Services Agreement with PGH Wong Engineering/Luster Construction Management

SUBJECT: Summary of Contract Modifications and Funding

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

WILLIE L. BROWN, JR.
MAYOR

HENRY E. BERMAN
PRESIDENT

LARRY MAZZOLA
VICE PRESIDENT

MICHAEL S. STRUNSKY

LINDA S. CRAYTON

CARYL ITO

JOHN L. MARTIN
AIRPORT DIRECTOR

As per your request, we are providing additional information regarding this proposed modification and previous modifications to the Airports 5700.CM contract with the joint venture of PGH Wong Engineering/Luster Construction Management (Wong/Luster). This contract provides for construction management (CM) services for: SFO's AirTrain System and Related BART Fixed Facilities Project, which are the BART fixed facilities constructed integrally with the AirTrain System and include the combined structures supporting both the AirTrain and BART train-track beds; and, oversight of the Airport's share of the BART systems costs of the BART-SFO Extension construction project, which is a component of the current BART-managed project to extend the BART system from Colma to SFO and Millbrae.

Wong/Luster was selected by the Airport following an RFQ/RFP process for the procurement of construction management services for all projects under the Airport's $2.4B Master Plan Expansion Program. A total of 13 contracts were awarded for these services for the various major projects of the Master Plan, comprised of prime joint ventures, associations and substantial subconsultant participation. The original contract award amount was $1,400,000 for the first year of services. The contract is, typically, renewed annually. This is the final contract modification. None of the modification amount of $650,000 has been expended to date.

This proposed modification will provide for extended CM services required as a result of the AirTrain collision which occurred on August 4, 2002 during informal

system testing by the contractor prior to the start of System Demonstration testing. System Demonstration testing is the final series of tests required by contract prior to achieving contract substantial completion. The collision delayed the opening of AirTrain by approximately 6 months, thereby requiring additional CM services during the delay period as well as requiring technical expertise in assessing the adequacy of the contractor's automated train protection (ATP) systems development program and processes. The ATP systems provide for the fail-safe operation of the train. The actual cost incurred by the Airport for these services due to the AirTrain collision is $987,218. The Airport is pursuing recovery of this amount from the contractor and applicable insurance coverages.

The services to be provided by the CM consultants in support of the Airport Master Plan Expansion Program are described generally in Appendix A of the Professional Services Agreement between the Airport and consultants. The Airport developed a Program Management Manual for implementation by the CM consultants as a minimum Airport requirement for administering and managing construction contracts. The scope of services to be provided by the consultants did not change at each annual modification. The annual modifications typically provided for additional funding, administrative contractual changes and extensions to duration.

Exhibit A attached to this memo summarizes the modifications to the contract and provides a budget breakdown for the allocation of costs to AirTrain as part of the Master Plan Expansion Program and the Airport's "up to $200 million" contribution to the BART-SFO Extension Project. The budget allocations between the AirTrain and BART Fixed Facilities is based on a 93.61% Airport/6.39% BART split. This split was determined and agreed upon by both parties during the development of the BART-SFO Extension Project - Project Development Agreement, dated April 8, 1997. The budget for the BART Systems is allocable 100% to BART.

Further, Exhibit A provides a comparison of the modification amounts to Wong/Lusters' annual Staffing Plan funding request, with manhours. Typically, the Airport requested from Wong/Luster a proposed "ideal" staffing plan for the next year and a staffing plan through to project completion to assist in updating the forecast-at-completion. Wong/Luster was also given a target budget and was required to submit a staffing plan that correlated with the target budget. The Airport would then meet with the Principal of Wong/Luster and review the target budget staffing plan position by position to determine whether additional positions or manhours were required for each function. The negotiated agreed-upon staffing plan would typically increase the target budget but would be within the overall project budget. The modification amount would be further adjusted to account for any anticipated underrun or overrun from the previous year.

If you have any questions regarding on this information, please don't hesitate to call.

EXHIBIT A – SUMMARY OF MODIFICATIONS

	Reason for Contract Modification	Amount for AirTrain System and Related BART Fixed Facilities Project	Amount for Over-sight of BART Systems Portion of BART-SFO Extension Project	Total Amount	AirTrain/BART Fixed Facilities Average Employee Rate based on Annual Staffing Plan Funding and Manpower Requirements	AirTrain/BART Fixed Facilities Number of Hours Funded Based on Modification Amount	Date and Airport Commission Resolution No.
Original contract	To provide construction management (CM) services during construction of the AirTrain System and the BART-SFO Extension Project.	$1,400,000	$0	$1,400,000	110.33	12,689	May 16, 1995 Resolution 95-0121
Modification No. 1	To increase fee to continue CM services in 1996.	5,500,000	0	5,500,000	110.33	49,850	January 23, 1996 Resolution 96-0025
Modification No. 2	To increase fee to continue CM services in 1997.	3,123,000	0	3,123,000	110.33	28,306	November 5, 1996 Resolution 96-0280
Modification No. 3	To increase fee to continue CM services in 1998.	1,700,000	0	1,700,000	99.09	17,156	December 2, 1997 Resolution 97-0312
Modification No. 4	To increase fee to continue CM services in 1999.	7,000,000	0	7,000,000	96.57	72,486	December 1, 1998 Resolution 98-0309
Modification No. 5	To increase fee to continue CM services in 2000.	4,600,000	1,600,000[1]	6,200,000	98.66	46,625	December 7, 1999 Resolution 99-0421
Modification No. 6	To increase fee to continue CM services in 2001 and 2002.	3,880,000	1,400,000[1]	5,280,000	111.27	34,870	December 5, 2000 Resolution 00-0423
Internal budget adjustment		2,400,000[2]	(2,400,000)	0	Incl. In Mod. 7	Incl. In Mod. 7	To balance expenditures against funding allocations.
Modification No. 7	To fund (a) CM services during the construction completion, start-up testing, and close-out phases of the AirTrain System project, and (b) oversight and final reconciliation of the Airport's contribution to BART-SFO Extension Project.	1,494,367	1,150,000[1]	2,644,367	103.15	37,754	July 9, 2002 Resolution 02-0153
Proposed Modification No. 8	To fund extended CM services during the start-up testing and	650,000	0	650,000	93.49	6952	De

[1] Tasks for BART Systems costs were requested on an as-needed basis. Staffing Plan was not required to include these services. Amounts are not included in manhours calculation.
[2] Internal adjustment increased available budget for AirTrain and Related BART Fixed Facilities CM services for 2002. Amount is included in Mod. 7 manhour calculation.

	close-out of the AirTrain System project due to the AirTrain collision on August 4, 2002, during informal system demonstration testing							
Total:		$31,747,367	$1,750,000	$33,497,367				

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05/29/03

SFIA EXPANSION PROGRAM - AIRTRAIN PROJECT
CONSTRUCTION MANAGEMENT SERVICES - CONTRACT 5700CM
BUDGET: MAY 1 THROUGH DECEMBER 31, 2003

1. DIRECT SALARY X MULTIPLIER

Line No	Position	Base Sal ($/Jhr)	Job Months	Jobhours	Salary ($)	Multiplier	Total Cost ($)
1	**Project Management**						
1a	Project Manager	50.18	0.80	128.00	$6,423.04	2.34	$15,029.91
1b	Deputy Project Manager			0.00			$0.00
1c	Contract Administrator			0.00			$0.00
1d	Cost Engineer			0.00			$0.00
1e	Safety Manager			0.00			$0.00
1f	Office Administrator			0.00			$0.00
2	**Contract 5700.A - East Loop Guideway**						
2a	Resident Engineer			0.00	$0.00		$0.00
2b	Secretary			0.00	$0.00		$0.00
2c	Office Engineer			0.00	$0.00		$0.00
2d	Scheduler			0.00	$0.00		$0.00
2e	Cost Estimator			0.00	$0.00		$0.00
2f	Cost Estimator			0.00	$0.00		$0.00
2g	Cost Estimator			0.00	$0.00		$0.00
2h	Inspector			0.00	$0.00		$0.00
2i	Inspector			0.00	$0.00		$0.00
3	**Contract 5700.B - Westside Guideway**						
3a	Resident Engineer			0.00	$0.00		$0.00
3b	Secretary			0.00	$0.00		$0.00
3c	Assistant Resident Engineer			0.00	$0.00		$0.00
3d	Office Engineer			0.00	$0.00		$0.00
3e	Cost Estimator			0.00	$0.00		$0.00
3f	Cost Estimator			0.00	$0.00		$0.00
4	**Contract 5703.A - Operating System**						
4a	System Resident Engineer	58.17	2.40	384.00	$22,337.28	2.34	$52,269.24
4b	Office Administrator	24.50	0.00	0.00	$0.00	2.25	$0.00
4c	Deputy Resident Engineer	46.88	1.00	160.00	$7,500.80	2.34	$17,551.87
4d	Office Engineer	35.00	4.00	640.00	$22,400.00	2.34	$52,416.00
4e	Scheduler/Claims Support	40.50	0.00	0.00	$0.00	2.22	$0.00
4f	Testing Coordinator	41.88	8.00	1280.00	$53,606.40	2.34	$125,438.98
4g	Cost Estimator	37.45	0.00	0.00	$0.00	2.15	$0.00
4h	Cost Estimator	37.80	0.00	0.00	$0.00	2.25	$0.00
4i	Train Control/CPUC Engineer	47.50	0.00	0.00	$0.00	2.34	$0.00
4j	Train Control Engineer	62.40	0.00	0.00	$0.00	2.73	$0.00
4k	Vehicles Engineer	72.50	0.00	0.00	$0.00	2.73	$0.00
4l	Systems Safety Audits	160.00	0.00	0.00	$0.00	1.00	$0.00
4m	System Specialists	60.00	2.00	320.00	$19,200.00	2.60	$49,920.00
4n	Inspector/Test Witness (2nd Shift)	26.50	0.00	0.00	$0.00	2.25	$0.00
4o	Inspector/Test Witness	28.00	8.00	1280.00	$35,840.00	2.50	$89,600.00
4p	Inspector/Test Witness (2nd Shift)	41.50	0.00	0.00	$0.00	2.34	$0.00
4q	Inspector/Test Witness	30.00	0.00	0.00	$0.00	2.34	$0.00
4r	Construction Coorinator/Inspector	35.00	0.00	0.00	$0.00	1.90	$0.00

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SFIA EXPANSION PROGRAM - AIRTRAIN PROJECT
CONSTRUCTION MANAGEMENT SERVICES - CONTRACT 5700CM
BUDGET: MAY 1 THROUGH DECEMBER 31, 2003

5	**Contract 5706.A - Terminal Stations**						
5a	Resident Engineer	48.30	1.20	192.00	$9,273.60	2.34	$21,700.22
5b	Assistant Resident Engineer	42.50	3.00	480.00	$20,400.00	1.90	$38,760.00
5c	Office Engineer	33.50	2.00	320.00	$10,720.00	2.34	$25,034.80
5d	Scheduler	45.00	0.00	0.00	$0.00	2.22	$0.00
5e	Cost Estimator	35.67	0.00	0.00	$0.00	2.15	$0.00
5f	Cost Estimator	42.50	0.75	120.00	$5,100.00	2.22	$11,322.00
5g	Inspector	33.50	0.00	0.00	$0.00	2.15	$0.00
5h	Inspector	33.50	0.00	0.00	$0.00	1.90	$0.00
5i	Secretary	18.50	0.75	120.00	$2,220.00	2.34	$5,194.80
5j	Claims Support	55.00	0.75	120.00	$6,600.00	2.34	$15,444.00
6	**Contract 4286 - Rental Car Center Improvements**						
5a	Resident Engineer	42.50	0.00	0.00	$0.00	2.34	$0.00
5b	Cost Estimator	37.45	0.00	0.00	$0.00	2.15	$0.00
5c	Cost Estimator	37.80	0.00	0.00	$0.00	2.25	$0.00
7	**BART SFO Extension Project**						
5a	Project Manager	50.18	0.35	56.00	$2,810.08	2.34	$6,575.59
5b	Construction Manager	46.88	2.50	400.00	$18,752.00	2.34	$43,879.68
5c	Field Inspector	35.00	5.00	800.00	$28,000.00	2.34	$65,520.00
	Subtotal (Direct Salary x Multiplier)		41.70	6800.00	$264,760.16		$635,707.09

2. FEE, MARKUP & REIMBURSABLES

Line No	Description		Total Cost ($)
1	Markup on Subconsultants @ 5% on 30% of work subcontracted,(See Note 3.1)		$9,535.61
2	Reimbursables & Other Direct Costs:		
2a	Field Office Rental (1 month @ $12778/month)	12778.00	
2b	Utilities for Field Office (1 month @ $100/month)	100.00	
2c	Nextel Charges (8 months @ $800/month)	6400.00	
2f	Special Reproduction ($2,000 Allowance)	2000.00	
2g	Overnight Mail and Postage (8 months @ $200/month)	4200.00	
2h	Vehicles (2 for 8 months @ $800/month - includes lease, insurance & maintenance)	12800.00	
			$38,278.00
3	Markup on Reimbursables & Other Direct Costs @ 5%		$1,913.90
4	**Subtotal (Fee, Markup & Reimbursables)**		$49,727.51

3. SPECIAL TASKS FOR CLAIMS/SCHEDULE MITIGATION (Estimated) $0.00

4. TOTAL COST $685,434.59

Page 2A

Item 15 - File 03-1104

Department: Elections Department

Item: Ordinance amending Section 830 of the Municipal Elections Code to require that the Controller set the fees for publication of ballot arguments in the Voter Information Pamphlet and establish criteria for setting this fee so that the fee approximates but does not exceed the actual cost of publication.

Description: The proposed ordinance would require the Controller to estimate the cost of publishing a ballot argument in the Voter Information Pamphlet (VIP) for the Department of Elections, by considering: (1) the estimated size of the VIP, (2) the number and complexity of ballot measures, (3) the cost estimates gathered by the Department of Elections to produce and distribute the VIP, (4) the actual cost of publishing ballot arguments in the VIP in past years, and (5) other information that the Controller considers relevant. In accordance with the proposed ordinance, the Controller would then set the fees for publication of ballot arguments at 90 percent of the estimated costs. However, if the Controller finds that such fees collected in past years exceeded the actual costs of publication, the fee could be set at less than 90 percent. If the Controller finds that such fees collected in past years fell short of the actual costs of publication, the fees could be set at greater than 90 percent, but no more than 100 percent of the estimated costs of publishing the arguments in the VIP. In accordance with the proposed ordinance, the Controller would be required to inform the Director of Elections of the amount of the ballot argument publication fees to be charged no later than 80 days before the election. Such future fees would not be subject to separate approval by the Board of Supervisors.

Comments: 1. In accordance with Section 830 of the City's Municipal Elections Code, paid ballot argument filing fees are currently $200 plus $2.00 per word. In addition, individuals may secure signatures in lieu of paying fees for such paid ballot arguments. According to Ms. Suzanne Berg of the Department of Elections,

the Department collected $138,336 of revenues from paid ballot arguments for the November of 2002 election. Ms. Berg also estimates that, including personnel costs, the Department of Elections expended approximately $305,367 for the paid ballot argument pages contained in the November of 2002 Voter Information Pamphlet, such that the revenues from such paid ballot arguments covered approximately 45 percent of their costs for the last election. The balance of $167,031 was paid by the Department of Elections, from the City's General Fund.

2. Based on an analysis conducted by the Legislative Analyst's Office, the Department of Elections currently receives an average of $400 per paid ballot argument, assuming an average of 100 words per paid ballot argument. However, based on the current costs to produce such paid ballot arguments in the Voter Information Pamphlet, the Department of Elections would need to charge an average of $982 per paid ballot argument to fully recover such costs. In accordance with the proposed ordinance, if 90 percent of such costs were charged, the average fee per paid ballot argument would therefore be approximately $884 ($982 x .90). Thus, the average fee per paid ballot argument would increase from $400 to $884, or by an average of $484, or 121 percent.

As noted above, the fee is comprised of two components, currently a flat $200 and a variable $2 per word. Increases in either or both of these fees would be permissible under the proposed ordinance. As also noted above, individuals are permitted to submit signatures in lieu of paying such fees. For each valid signature an individual submits to the Department of Elections, the fee is currently reduced by $.50 per signature. However, Ms. Julie Moll of the City Attorney's Office advises that the proposed new fees cannot be set at a rate such that these fees subsidize the costs of ballot arguments that are placed in the Voter Information Pamphlet with in lieu signatures.

3. In order to implement the proposed ordinance for the November 4, 2003 election, the Controller would be required to advise the Director of Elections the ballot

argument publication fee amounts to be charged by August 16, 2003, or at least 80 days before the election. However, the Budget Analyst notes that, even if the proposed ordinance is approved by the Finance and Audits Committee on July 9, 2003, the earliest that this ordinance would be able to take effect is August 23, 2003, which is seven days after the Controller's deadline for providing the fee information to the Director of Elections for the November 4, 2003 election. Therefore, the City Attorney's Office advises that if the proposed ordinance is approved by the Board of Supervisors, it would not be effective until after the November 4, 2003 election. The next regularly scheduled election would be in March of 2004.

4. The Mayor's Office reduced the Elections Department's FY 2003-2004 budget by $500,000 (assuming $250,000 of additional expenses for each of two elections) in Materials and Supplies to reflect a reduction in expenses, assuming the elimination of paid ballot arguments. The subject ordinance would establish paid ballot argument fees to recover approximately 90 percent of the costs, and could potentially become effective beginning with the March of 2004 election.

5. Charter Section 13.109 states that the amount of fees to be charged for paid ballot arguments and the equivalent dollar value for each valid in-lieu signature shall be proposed by the Director of Elections, for approval by the Board of Supervisors. According to Ms. Moll, an Amendment of the Whole may be introduced to the Finance and Audits Committee on July 9, 2003 to ensure that the proposed ordinance is consistent with these provisions of the Charter.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

on Fra... Board of Supervisors
≡ Budget Analyst ..

Memo to Finance and Audits Committee
July 9, 2003 Finance and Audits Committee Meeting

Items 10 and 11 - File 03-1102 and 03-1115 REVISED 7/7/03

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7/9/03
revised

Department: Sheriff's Department
Department of Human Resources

GOVERNMENT DOC SECTION
Main Library

Item: File 03-1102

Ordinance adopting and implementing the Memorandum of Understanding between the City and County of San Francisco and the Deputy Sheriffs' Association regarding the amendment of the contract with the California Public Employees' Retirement System to provide the County's Sheriffs with the retirement benefits known as 3 percent at 55.

File 03-1115

Ordinance authorizing an Amendment to the Contract between the Board of Administration, California Public Employees' Retirement System, and the Board of Supervisors, City and County of San Francisco.

Description: On June 27, 2003, the Budget Committee recommended approval of and referred to the full Board of Supervisors a Resolution of Intention to approve an Amendment to the Contract between the California Public Employees' Retirement System (PERS) and the Board of Supervisors (File 03-0971) for consideration at the Board of Supervisors on July 8, 2003.

According to Ms. Linda Ross of the City Attorney's Office, the Public Employees' Retirement Law sets forth procedures by which the City enters into an amended contract with PERS on behalf of City employees. Ms. Ross advises that the Board of Supervisors must first approve a Resolution of Intent (File 03-0971) to amend the City's contract with PERS, and then adopt an ordinance (File 03-1115 of this report), authorizing the City to enter into a contract amendment with PERS.

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File 03-1115

The proposed ordinance (File 03-1115) would approve a contract amendment between the City, on behalf of the Board of Supervisors, and PERS. The proposed PERS Contract Amendment would affect the Sheriff, the Undersheriff, Deputy Sheriffs, and certain miscellaneous City employees, who were formerly employed by the State Department of Mental Health and were transferred to City employment, and who are members of PERS. The proposed Contract Amendment between PERS and the Board of Supervisors would provide the following changes to the current PERS retirement benefits:

- The Sheriff, Undersheriff, and all Deputy Sheriffs, who are all members of PERS, will be eligible to receive retirement benefits at age 55, equal to three percent of the highest compensation in a single year, times the number of years of service, up to a maximum of 30 years of service. Therefore, a member retiring with 30 years of service at age 55 or older would receive retirement benefits equal to 90 percent (or 3 percent times 30 years) of their highest compensation in a single year. Ms. Linda Ross of the City Attorney's Office advises that currently, these classifications receive retirement benefits at age 50, equal to two percent of the highest compensation in a single year, times the number of years of service.
- Certain miscellaneous employees, who were formerly employed by the State Department of Mental Health and were transferred to City employment, will receive retirement benefits, which are calculated on their highest year of compensation. Currently, these employees receive retirement benefits, which are calculated on the average of the three highest years of compensation.

File 03-1102

The proposed ordinance (File 03-1102) would approve a Memorandum of Understanding (MOU) between the City and the Deputy Sheriffs' Association to

implement the increased PERS retirement benefits for Deputy Sheriffs. According to Ms. Ross, the proposed MOU states that the Deputy Sheriffs' Association agrees that it has a continuing obligation to meet and confer with the City to implement a cost sharing agreement for the increased costs to the City of amending the PERS contract. Ms. Ross advises that the proposed MOU also states that the Deputy Sheriff's Association has met its obligation to share in the increased cost of the proposed PERS contract amendment in FY 2003-2004 and FY 2004-2005. Ms. Ross advises that such cost sharing is provided in the Collective Bargaining Agreement between the Deputy Sheriffs' Association and the City, which was approved by the Board of Supervisors on May 20, 2003 and is effective from July 1, 2003 through June 30, 2005. Under the Collective Bargaining Agreement, the Deputy Sheriffs' Association has agreed to have the employees rather than the City pay the employees' share of the retirement contributions in an amount equal to 7.5 percent of salary for the two-year term of the Collective Bargaining Agreement. In most of the Collective Bargaining Agreements with the City's other employee organizations, employees pay the 7.5 percent contribution for just one year and not two years. Also, under the Collective Bargaining Agreement, the Deputy Sheriffs' Association agrees that its members will not receive the five floating holidays in compensation for paying their own retirement contribution in FY 2003-2004, which was provided in the Collective Bargaining Agreements with the City's other employee organizations.

Fiscal Impact: According to the cost analysis provided by PERS, under the proposed PERS contract amendment, the City's employer contribution rate for the Sheriff, Undersheriff, and Deputy Sheriffs will increase by 3.781 percentage points, from 6.431 percent of salary for FY 2002-2003 to 10.212 percent of salary in FY 2003-2004. According to Ms. Jean Mariani of the Sheriff's Department, the estimated increased cost, resulting from the proposed PERS rate increase, is $1,833,816 in FY 2003-2004 for Sheriff's Department sworn classifications, which has been included in the

Department's FY 2003-2004 budget. According to Mr. James Smothers of the Controller's Office, under the City's contract with PERS, the City's contribution for all City safety classifications who are members of PERS, which include Juvenile and Adult Probation Officers, District Attorney's Investigators, and Institutional Police, will increase although only the Sheriff, the Undersheriff, and the Deputy Sheriffs will receive the enhanced retirement benefit known as 3 percent at 55. Therefore, Mr. Smothers advises that the total increased cost to the City for all safety classifications who are members of PERS in FY 2003-2004 as a result of the proposed retirement benefit enhancement for the Sheriff, the Undersheriff, and the Deputy Sheriffs will be greater than the $1,833,816 included in the Sheriff's Department's budget. Mr. Smothers states that the Controller's Office does not have an estimate of the additional cost at this time.

According to the PERS Cost Analysis, under the Proposed PERS contract amendment, the City will not make an employer contribution on behalf of the eligible miscellaneous employees in FY 2003-2004 and in FY 2004-2005.

Recommendation: Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

[All Committees]
Government Document Section
Main Library

City and County of San Francis
Meeting Minutes
Finance and Audits Committe

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, July 16, 2003 **12:30 PM** **City Hall, Room 263**

Regular Meeting

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/16/03

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

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MEETING CONVENED

REGULAR AGENDA

030851 [Contract - Department of the Environment and PG&E]

Mayor, Supervisor Gonzalez

Resolution pursuant to Charter section 9.118(a) authorizing the Department of the Environment to enter into a contract for up to $1,550,000.00 with Pacific, Gas and Electric Company ("PG&E") to implement a Demand Reduction Through Energy Efficiency Pilot Program in the City and County of San Francisco.

5/13/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Jared Blumenfeld, Department of the Environment; Harvey Rose, Budget Analyst.

7/16/03 Amend the title on page 1 line 3, replace "$1,550,000.00" with "$1,560,000". At page 2 line 15, replace "$1,550,000" with "$1,560,000".

AMENDED.

Resolution pursuant to Charter section 9.118(a) authorizing the Department of the Environment to enter into a contract for up to $1,560,000 with Pacific, Gas and Electric Company ("PG&E") to implement a Demand Reduction Through Energy Efficiency Pilot Program in the City and County of San Francisco.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Sandoval
Absent: 1 - McGoldrick

031124 **[Laundry Services At San Francisco General Hospital]**

Resolution concurring with the Controller's certification that the laundry services can be performed for the Department of Public Health, San Francisco General Hospital by private contractor for a lower cost than similar work performed by City and County employees.

(No Public Benefit Recipient.)

6/19/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Monique Zmuda, Controller's Office; Harvey Rose, Budget Analyst; Supervisor Daly; Gregg Sass, Department of Public Health; Male Speaker, SF General Hospital; Male Speaker, Laguna Honda Hospital; John Kazinsky, Local 250; Ted Lakey, Deputy City Attorney; Erin McGrath, Mayor's Office; Judith Blackwell, Office of Contract Administration.

7/16/03 At page 1 line 21 replace "June" with "March".

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030505 **[Outreach Advertising]**

Resolution designating the Asian Week to be outreach newspaper of the City and County of San Francisco for the Chinese community for outreach advertising for the fiscal year commencing July 1, 2003 and ending June 30, 2004; and designating El Mensajero and the Bay Area Reporter to be outreach newspapers for the Hispanic and Lesbian, Gay, Bisexual and Transgender communities for the fiscal year commencing July 1, 2003 and ending June 30, 2004. (Purchaser)

(Fiscal impact; No Public Benefit Recipient.)

3/31/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

6/4/03, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Wayne Wash, San Francisco Independent; Ted Lakey, Deputy City Attorney; Monique Zmuda, Controller's Office; Judith Blackwell, Office of Contract Administration; Michael Yamashita, Bay Area Reporter.

6/4/03 Amendment of the Whole bearing new title prepared in Committee.

6/4/03, RECOMMENDED AS AMENDED.

6/10/03, RE-REFERRED to Finance and Audits Committee.

Heard in Committee. Speakers: Female Speaker; Max Ramirez; Female Speaker, Centro Latino; Male Speaker; Michael Lam, Chinese Times; Jason Ho, Chinese Times; Male Speaker, NCM; Judith Blackwell, Office of Contract Administration.

7/16/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution designating the Asian Week, the China Press, the World Journal and the Chinese Times to be outreach newspapers of the City and County of San Francisco for the Chinese community; El Reportero, El Latino and El Mensajero to be outreach newspapers of the City and County of San Francisco for the Hispanic community; the Bay Area Reporter to be the outreach newspaper of the City and County of San Francisco for the Lesbian/Gay/Bisexual/Transgender community; and the San Francisco Bay View to be outreach newspaper of the City and County of San Francisco for the African American community, for outreach advertising for the fiscal year commencing July 1, 2003 and ending June 30, 2004. (Purchaser)

(Fiscal impact; No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031095 **[Contract Prop J: Facility Security Services]**

Resolution concurring with the Controller's certification that facility security services for Municipal Transportation Agency can be practically performed by a private contractor at a lower cost than by City and County employees.

(Public Benefit Recipient.) [No fiscal impact.]

6/16/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Monique Zmuda, Controller's Office.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031102 **[Memorandum of Understanding re PERS Contract Amendment]**

Mayor, Supervisors Dufty, Ma, Sandoval, McGoldrick

Ordinance adopting and implementing the Memorandum of Understanding between the City and County of San Francisco and the Deputy Sheriffs' Association regarding the amendment of the contract with the Public Employees' Retirement System to provide the County's Sheriffs with the retirement benefits known as 3% @ 55.

(Fiscal impact.)

6/16/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

7/9/03, CONTINUED. Continued to 7/16/03.

Supervisor Sandoval requested to be added as a co-sponsor.

Heard in Committee. Speaker: Jean Mariani, Sheriff's Department.

Supervisor McGoldrick requested to be added as a co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031115 **[PERS Contract Amendment]**

Mayor, Supervisors Dufty, Ma, Sandoval, McGoldrick

Ordinance authorizing an Amendment to Contract Between the Board of Administration, California Public Employees' Retirement System, and the Board of Supervisors, City and County of San Francisco.

6/17/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

7/9/03. CONTINUED. Continued to 7/16/03.

Heard in Committee. Speaker: Jean Mariani, Sheriff's Department.

Supervisors Sandoval and McGoldrick requested to be added as co-sponsors.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 1:55 p.m.

[Budget Analyst Report]
Susan Hom
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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 10, 2003

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TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: July 16, 2003 Finance and Audits Committee Meeting

Item 1- File 03-0851

Note: This report is based on an Amendment of the Whole that is to be introduced for the Finance and Audits Committee meeting of July 16, 2003.

Department: Department of the Environment (DOE)

Item: Resolution authorizing the Department of the Environment to enter into a contract for up to $1,560,000 with Pacific Gas and Electric Company ("PG&E") to implement a Peak Energy Pilot Program in the City and County of San Francisco to be expended during Fiscal Years 2003-2004 and 2004-2005.

Amount: $1,560,000 (see Comment No. 2)

Source of Funds: The source of funds for the contract is the California Public Utilities Commission Public Goods Charge Funds.[1] The California Public Utilities Commission (CPUC) awarded $16.3 million in Public Goods Charge Funds to PG&E and the DOE for joint energy efficiency programs in the City and County of San Francisco to be

[1] The Public Goods Charge is included in each customer's electric bill to fund the California Public Utilities Commission's energy efficiency programs. Customers pay a Public Goods Charge of approximately 1 percent of charges in each bill.

implemented during the Fiscal Years 2003-2004 and 2004-2005.

Description:

The proposed resolution would authorize the Department of the Environment to enter into a contract with Pacific Gas and Electric (PG&E) in the amount of $1,560,000 to provide services related to the San Francisco Peak Energy Pilot Program.

According to Mr. Mark Westlund, of the DOE, the purpose of the Peak Energy Pilot Program is to reduce demand for electricity by a minimum of 16 megawatts[2] of load reduction during two "peak" electricity demand periods, a daytime summer peak, and a winter evening peak. Additionally, the Peak Energy Pilot Program, through energy efficiency and reduction of energy demand, is designed to contribute to the closure of the Hunters Point power plant in 2005 when the plant will no longer meet federal emissions standards as explained by Mr. Westlund in the attached memorandum (Attachment I).

Under the proposed contract, DOE would provide sales, marketing, outreach, program evaluation, program management, and implementation support to PG&E as explained in Attachment I, provided by the DOE.

Budget:

Attachment II, provided by the DOE, is a budget in the amount of $1,560,000 for the work to be performed by the DOE during Fiscal Years 2003-2004 and 2004-2005.

Comments:

1. As described in Attachment I, the proposed contract provides that the Peak Energy Pilot Program will have nine program elements (Program Descriptions): (1) "Multifamily Energy Efficiency Rebate, (2) Single Family Energy Efficiency Direct Install, (3) Residential Case Studies, (4) Standard Performance Contract, (5) Cash Rebates for Business Customers, (6) Codes and Standards, (7) Targeted Energy Audits, (8) Energy Terminologies and (9) Commercial Turnkey Services for Small and Medium Businesses."

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[2] A megawatt of electricity is equal to 1,000 kilowatts and is sufficient to provide electric power to 10,000 single-family residences.

2. Mr. Westlund states that the DOE will introduce an Amendment of the Whole at the Finance and Audits Committee meeting of July 16, 2003 in order to increase the contract amount, as stated in the proposed resolution, of $1,550,000 by $10,000 to the correct amount of $1,560,000. As shown in Attachment II, the DOE plans to expend $1,160,020 of the total $1,560,000 during FY 2003-2004. The $1,160,020 has been included in the DOE's FY 2003-2004 budget. As shown in Attachment II, the remaining $399,980 is planned to be expended in FY 2004-2005.

3. As shown in Attachment II, the budget lists a total of 12 positions including funds for six existing DOE position and five new DOE positions. The DOE also lists a new DBI staff person who will be working in the project but, according to Ms. Taras Madison from the Department of Building Inspection, this is an existing position. The job responsibilities of these 12 positions are described in Attachment III provided by the DOE. The five new DOE positions are temporary positions that are coded 'G', as grant-funded positions in the FY 2003-2004 budget and, as such, those positions would terminate when the Peak Energy Pilot Program is completed. The six existing DOE positions would be partially funded through the subject CPUC funds with the remaining source of funds for the existing positions coming from various other grant funds. None of the positions are to be funded from General Fund monies, as the DOE has not been allocated any General Fund support in FY 2003-2004.

4. As previously noted, in addition to the six existing and five new DOE positions, the DOE will also have, through a work order to the Department of Building Inspection (DBI), an existing 5211 Senior Engineer position, whose time allocated to the Peak Energy Pilot will be between an estimated 75 percent to 100 percent. The responsibilities of that position are also described in Attachment III.

5. Attachment II lists a total of $222,729 for consultants. As shown in Attachments IV and V provided by the DOE, the DOE also plans to utilize the following three

consultants (subcontractors) for a total of $222,729 during FY 2003-2004: Brown, Vence and Associates for $48,100, Hellmuth Obata & Kassabaum, Inc. for $48,520, and ICF Consulting for $126,109. These subcontractors were selected through a Request For Proposal (RFP) process as explained in Attachment IV. Attachment V describes the responsibilities of each subcontractor as well as the budget of each subcontractor including the number of hours and hourly rates.

6. Other costs including Overhead costs consisting of rent, accounting, internal information technology and administration costs, materials and supplies, and a work order to the City Attorney in the amount of $95,000 are listed in the budget in Attachment II and are further described in Attachment VI, provided by the DOE.

Recommendations: Approve the proposed resolution.

SF Environment

WILLIE L. BROWN, JR.
Mayor

JARED BLUMENFELD
Director

July 10, 2003

TO: Theresa Lo, Budget Analyst's Office

FROM: Mark Westlund

SUBJECT: San Francisco Peak Energy Program

Program Description

The primary goal of the San Francisco Peak Energy Pilot Program (Pilot Program) is to achieve a minimum of 16 MW gross peak load reduction during San Francisco's summer daytime peak and similar reductions during the winter evening peak by January 2005.

Environmental justice considerations dictate that communities should be consulted and empowered to participate in decisions that affect their well being. Bayview Hunters Point and Potrero communities, due to the location of the existing power plants, will be consulted and informed about progress of the implementation of the Pilot Program while satisfying the primary goal of 16 MW load reduction. CCSF and PG&E will maximize the peak load reduction and make every effort to consult and inform about programs in the referenced communities through direct consultation and involvement of community groups.

The California Independent Systems Operator, the agency that manages electricity flow in the state, may permit PG&E to shut down Hunters Point Power Plant if there is a sufficient combination of new electricity transmission and energy conservation in San Francisco to meet and lower peak energy demand. The demand reduction expected to be realized through the Peak Energy Program will contribute to this goal.

Overview: To help ensure continued electric reliability in San Francisco, the City and County of San Francisco (CCSF or the City) Department of the Environment (SFE) and Pacific Gas and Electric Company (PG&E) have developed a pilot energy efficiency program. The Pilot Program, which will be marketed as the "San Francisco Peak Energy Program," uses the existing capabilities and resources of CCSF and PG&E and community resources such as those in the Bayview Hunters Point (BVHP) and Potrero neighborhoods to reduce electric demand during the daytime summer peak, driven by air conditioning and lighting loads, and the winter evening peak, which can be equal to or exceed the summer peak and is driven by lighting and heating loads.

The City's Electricity Resource Plan provides a needs assessment for the City and identifies energy efficiency programs as a key element for ensuring continued electric reliability. Both SFE and PG&E have worked together to identify particular electric utility customer segments as well as energy efficiency markets and technologies that have the potential to achieve maximum electric demand reduction prior to 2005. The preliminary assessment has also involved determining if demand reduction on specific sections of San Francisco's complex distribution system would be more advantageous.

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Additional community meetings will be held in Bayview Hunters Point as a key component of the implementation plan. These meetings and a mission statement developed with the community will be used to plan and organize outreach campaigns, hold energy demonstrations and workshops, assess the progress of the program, and develop ways and means of increasing the program's impact and to address environmental justice issues as well as peak MW savings.

The citywide MW savings assessments showed that the market segments with the highest potential include offices, food services, retail, hotels/motels, and multifamily buildings. Energy efficiency measures directed at both summer and winter peaks have been singled out for higher rebates or incentives. In addition, SFE and PG&E have identified additional program support that will be necessary to achieve the Pilot Program goals including training, codes and standards support, case studies of building types and technologies, and program management and marketing support, which includes neighborhood campaigns

In its 2003 Energy Efficiency Programs filing, PG&E outlined a portfolio of programs that can be readily and rapidly tailored to achieve the City's goals given the short timeframe allocated to achieve these energy savings. The Pilot Program is limited to residents and businesses of San Francisco but does not restrict their participation in any other PG&E energy efficiency program for which they are otherwise eligible, including but not limited to the low-income and statewide energy efficiency programs.

The Pilot Program will have nine program elements: multifamily rebates, single family energy efficiency direct install, residential case studies, standard performance contracts, cash rebates for business customers for both small and large businesses, codes and standards support, emerging technologies, targeted system energy audits, and commercial turnkey services for small and medium businesses[1]. Special effort will be made to market these programs to seniors and the disabled and to provide direct install services to customers. Details on each program element for the Pilot Program are described in Attachment A.

Neighborhood groups, business associations, and tenant and landlord organizations all have ongoing contact with city officials and will be utilized to market this pilot. Specific marketing programs will target Bayview Hunters Point, Potrero and other communities that can benefit greatly from efficiency programs to help them save energy and money. SFE, PG&E, and local community-based organizations will work together to develop a mechanization that will use community resources, to the extent possible and reasonable, to help market and deploy the Pilot Program. As PG&E manages other programs in the community, including LIEE and CARE, an important aspect of this team effort will be to coordinate delivery of all programs to eligible customers to attain greater economies of scale. Of primary importance is targeting CARE customers for energy efficiency savings to actually reduce their energy use as well as their bills.

Communities will be encouraged to participate in decisions that affect their energy use. Bayview Hunters Point, Potrero and other communities will be given priority consideration for the implementation of the Pilot Program while satisfying the primary goal of 16 MW peak load reduction. CCSF and PG&E will maximize the peak load reduction and make every effort to prioritize implementation of programs in communities through direct consultation and involvement of community groups.

ATTACHMENT A.
PROGRAM DESCRIPTIONS

Multifamily Energy Efficiency Rebate

This fast track Multifamily Energy Efficiency Rebate (MF) element will offer rebates for measures that will lower peak kW usage. Covered measures include apartment improvements (e.g., replacement of interior hardwired fixtures and programmable thermostats) as well as common-area improvements (e.g., interior and exterior hardwired fixtures and coin operated washers). Measures under this element and the existing statewide MF Rebate Program will be available for common areas in low income properties and for non-low income multifamily customers. The full complement of measures under the MF program will be available including measures for inside dwelling units. PG&E's existing inspection, processing and payment infrastructure will be used to pay MF customer rebates.

The program will coordinate retrofit services for CARE customers and be certain they are educated about energy efficient habits. The LIEE program presently works directly with property owners and managers of existing multifamily residential dwellings that contain five or more units and condominium complexes. The LIEE program installs energy efficient measures in qualifying tenant units. The MF element of the Pilot Program will work with those same LIEE property owners and managers and with tenant associations to install measures in the common areas that are not covered by the LIEE program and to install measures in units of non-LIEE customers. Additionally, the Pilot Program will also target non-LIEE property owners and managers and work with community groups and tenant associations to encourage them to install qualifying energy efficiency products in individual tenant units and in the common areas of residential apartments and condominium complexes.

Marketing and Outreach: The marketing for the MF element will use the existing LIEE program for common area energy efficiency measures to conduct much of the outreach. Additional community meetings will be organized to promote the programs, enlist supporters, provide workshops on bill analysis, bill monitoring, weatherization, and demonstrate energy efficient technologies. In Bayview Hunters Point, SFE and PG&E and community representatives will establish a marketing approach for marketing and delivering savings to low income and customers with special needs. This model may be replicated for hard-to-reach customers in other neighborhoods.

Single Family Energy Efficiency Direct Install

This Single Family Energy Efficiency Direct Install element will offer a variety of measures that will lower peak kW usage. Covered measures include replacement of interior hardwired fixtures, CFLs, programmable thermostats, increased incentive for second refrigerator turn in and halogen torchieres turn in/exchange. Customers are also able to apply for rebates on more than 10 additional measures included in the existing Single Family Rebate Program.

The LIEE program presently installs energy efficient measures in qualifying low income homes. See Attachment E for measures offered. When outreach workers are canvassing neighborhoods for qualified participants, they will determine which program qualifying customers can participate in. Each customer contacted will be eligible for one of the programs.

Marketing and Outreach: The marketing for the Direct Install Program will include a variety of outreach efforts including utilizing the existing LIEE contractor as well as coordination with existing community contacts. Special emphasis will be made to include existing CARE participants, seniors and board and care facilities. Marketing will be primarily for informational pamphlets and flyers, energy efficiency workshops and demonstration projects, and updates to PG&E' and SFE's Web sites. A special focus of the program will be to educate and inform existing community organizations and leadership and to get their feedback and input to ensure that all customers get the opportunity to participate.

Residential Case Studies

The peak load profiles for the CCSF suggest that residential electric heating may contribute significantly to the City's unique residential winter peak. The residential peak load in winter may be as much as 90 megawatts higher than the residential summer peak load.

In order to verify this residential electric heating peak and to determine what energy efficiency measures could be brought to bear, one element of the Pilot Program will be a study of residential building types in San Francisco. This study, which would include physical inspections in various San Francisco residential buildings, would identify the most common building types (probably six to ten types), their locations, their heating systems, construction details such as wall assemblies, windows, external finish materials and roofing systems. For each common building type, the case studies will include some physical testing and development of specific recommendations on measures to replace or reduce the impacts of residential electric heat and will identify market or code barriers to using gas heat. Selected measures may be installed and the impacts monitored.

SFE will work with PG&E in selecting the buildings. Samples from Bayview Hunters Point and other low- to moderate-income neighborhoods with high energy bills will be included in the study. Follow through will be implemented to be certain customers are reducing their monthly bills.

Standard Performance Contract (SPC)

The 2003 SPC is performance-based; financial incentives are paid for energy saved from energy efficient retrofits of existing nonresidential facilities. Unlike traditional rebate programs in which dollars are paid for installing specific items from a pre-approved list of energy-savings equipment, SPC offers financial incentives based on verified energy savings for custom-designed projects. The current statewide program offers incentive payments based on energy (kWh) savings only.

In 2003-2004, PG&E will offer a special promotion in the SPC program to enable CCSF to lower both kW and kWh usage. The following measures will be targeted:

- Chiller replacement;
- Plate and frame heat exchanger retrofit between the condenser and chilled water loop;
- Daylight control integration to perimeter lighting; and
- High efficiency custom lighting re-designs.

This element is designed for large high-rise office buildings, retail stores, food stores and hotels in San Francisco. However, any small, medium, large commercial or industrial customer in San Francisco can apply to the program individually or have a project sponsor (third party) apply on the customer's behalf. To be eligible for the program, the facility must be paying the electric Public Goods Charge to PG&E.
As with the statewide SPC program, PG&E will provide customers with energy efficiency information services and technical support. PG&E will use its existing SPC infrastructure to provide technical review of applications, processing of applications, pre-and post-installation confirmations, verification of energy savings and incentive payment processing. CCSF Building Inspection staff will assist PG&E with site verifications.

Marketing and Outreach: CCSF and PG&E will coordinate marketing resources to target customer sectors identified in the market potential assessments. Joint presentations by SFE and PG&E staff will be made at meetings of business groups including Building Operators and Managers Association (BOMA) and the Chamber of Commerce. SFE will promote the program, to the extent possible, through City channels such as visits by the Department of Building Inspection, tax notices, and the Commercial Turnkey Program element.

Cash Rebates for Business Customers

The Cash Rebates for Business Customers element provides cash rebates to nonresidential customers for installing selected energy efficiency measures. The primary objective of the element is to help business customers achieve long-term annual energy savings and demand reductions through energy-efficient retrofits. This element is designed to be easy for customers and vendors to use and understand and features special applications with specific measures chosen based on their track record for delivering energy savings and peak demand reductions.

Businesses wishing to install measures not included on these special applications may be eligible for other statewide Express Efficiency or SPC programs.

Marketing and Outreach: The applications and marketing materials for Cash Rebates for Business Customers will have a distinctive San Francisco design, jointly developed by PG&E and SFE. The principal marketing effort for this program will be undertaken by SFE under the Commercial Turnkey element, described in section 10 below. PG&E will augment these activities with their account representatives and with marketing pieces that promote the program.

Codes and Standards

The Codes and Standards element ensures that energy savings are an integral part of building and purchasing decisions. There are two components to PG&E's Codes and Standards element in the Pilot Program.

First, PG&E will fund the equivalent of a full time position within CCSF's building inspection and planning departments to provide:

1) Energy efficiency review and recommendations to individuals whose projects come to the planning department,
2) Communication and promotion of existing incentive programs applicable to such projects, and
3) Analysis and drafting of potential energy efficiency ordinances to be considered for adoption for both existing buildings and new construction.

Second, PG&E staff and consultants will provide support for specific codes and standards projects in San Francisco. Potential projects include:

1) Training of building inspectors to improve enforcement of current Title 24 standards in San Francisco;
2) Recommendations for new construction ordinances for San Francisco that go beyond Title 24 requirements;
3) Implementation of Title 24 acceptance requirements in San Francisco; and
4) Review of ordinances addressing existing building energy use.

Components of the new construction ordinances that go beyond Title 24 requirement and acceptance requirements projects will be based, in part, on new Title 24 building standards scheduled for implementation in 2003.

Targeted Energy Audits

Working closely with SFE, PG&E will provide specialized energy audit assistance to nonresidential customers with a high potential for peak demand reduction for both summer and winter peaks. PG&E will utilize specialized auditing protocols, such as those developed for its targeted large systems energy audits from 2001, to target projects with savings potential requiring sophisticated technical analysis. The audit services will be designed to strongly encourage investments in energy efficient retrofits and customer participation in incentive programs such as SPC and other commercial programs.

Emerging Technologies

PG&E will demonstrate one or more high-potential technologies of special importance to customers within the highest-potential market sectors for peak demand reduction. PG&E plans to conduct the demonstrations at customer facilities. Likely candidate technologies include scotopic (high-color temperature) lighting systems, selected lighting control technologies, including those with potential application in hotels and homes for seniors, and residential infiltration technologies. Also within this element, PG&E and CCSF will attempt to organize a showcase tour of prominent applications of leading-edge technologies installed in buildings within San Francisco.

Commercial Turnkey Services For Small and Medium Businesses

The Commercial Turnkey/Pilot Program Support element is designed to provide site surveys to assess the opportunities for energy savings and participation in incentive programs and assist customers in accessing services needed to implement energy efficiency measures. Small and medium businesses without ready access to facility or energy managers are the primary target. Any food service business, regardless of size, will be eligible. Financial incentives will be provided through the Pilot Program's Cash Rebates for Business Customers and Standard Performance Contract (SPC) elements, which have special lists of eligible measures and incentive levels to address San Francisco's summer and winter peaks. The first target area will be high energy use facilities and hard-to-reach businesses in the Bayview Hunters Point and Potrero districts. For the smallest businesses, this program will perform as a "direct install" program utilizing local contractors whenever possible. For the remainder of San Francisco, business sectors with the most potential will be targeted based on a commercial needs assessment conducted by PG&E and SFE. These sectors are offices, hotels/motels, retail, food stores, and food service. In addition, CCSF outreach and marketing for the Pilot Program elements and specialized measurement and evaluation activities are budgeted here.

The Commercial Turnkey Program is designed to overcome a number of specific barriers that have prevented many small and medium businesses from investing in energy efficient measures. The most notable barriers are time constraints, lack of good information on appropriate equipment choices, lack of capital to help offset energy efficiency investments, and skepticism about estimated economic benefits. The turnkey services will be modeled after, and will build upon, SFE's Power Savers Program, which completed over 4,000 energy efficient lighting retrofits in San Francisco in one year. The program may utilize auditor trainees from the Bayview Hunters Point neighborhoods, based on the pilot training provided by PG&E.

Restaurant/Food Service Component. San Francisco has over 3,500 food service businesses. There will be a dedicated effort to reach restaurants, cafeterias, institutional kitchens, and food wholesalers and suppliers. As food service is an integral part of many hotels and health care centers, these facilities—some of them large customers—will be singled out as targets for comprehensive whole-building retrofits beyond the kitchen and dining rooms. Consultants such as the Food Service Technology Center (FSTC) may be contracted to help SFE and PG&E conduct specialized energy audits, provide customer support services, and offer a series of educational sessions.

Pilot Program Marketing and Outreach. Aggressive marketing and outreach will be an integral part of the Commercial Turnkey program. To the extent possible, SFE's Outreach Division will use its longstanding relations with the Mayor's office and the Board of Supervisors, as well as with all San Francisco media outlets, to promote the program. Special events will be organized to announce the program and to maintain sustained public awareness.

Businesses will be targeted for outreach through inserts in bills or notices, to the extent possible, (such as CCSF water, solid waste removal bills, tax notices, and visits by City building and health inspectors) and presentations will be made at professional and neighborhood meetings. SFE will do follow-up contacts with customers, schedule and appear at meetings, and identify customers who are candidates for the suite of services offered under the Commercial Turnkey program.

CCSF- PG&E FEE SCHEDULE - 7.8.03

	Position	%	Annual Hours	Annual Billable Hours	Annual Salary	BPREP Salary	Hourly Rate	With Benefits	With Overhead	Length Months	Fiscal 03/04	Fiscal 04/05	Total Cost	03/04 Total Overhead	04/05 Total Overhead	Both Years Total Overhead
	Existing Staff															
1156	Director	3%	62	62	$136,266	$136,266	$ 77.07	$96.34	$115.83	17	$7,228	$3,012	$10,239	1,216	507	1,723
5608	Program Manager-Lead	80%	1,664	1,414	$ 74,932	$ 74,932	$ 42.38	$52.98	$73.42	17	$103,839	$43,266	$147,106	28,907	12,045	40,952
5644	Program Manager	80%	1,664	1,414	$ 88,478	$ 88,478	$ 50.04	$62.56	$82.78	17	$117,086	$48,786	$165,871	28,608	11,920	40,528
1312	Outreach Asst	25%	520	442	$ 59,306	$ 59,306	$ 33.54	$41.93	$62.61	12	$27,675	$0	$27,675	9,142	0	9,142
5646	Division Manager	11%	229	194	$ 97,344	$ 97,344	$ 55.06	$68.82	$88.91	17	$17,291	$7,205	$24,496	3,907	1,628	5,534
0952	Deputy Director	5%	104	88	$102,440	$102,440	$ 57.94	$72.43	$92.43	17	$8,171	$3,405	$11,576	1,769	737	2,506
	Sub-Total	2.04	4,243	3,616							**$281,290**	**$105,673**	**$386,963**	**73,548**	**26,836**	**100,384**
	New Staff															
5640	Marketing Coordinator	83%	1,726	1,726	$ 66,664	$ 56,102	$ 32.50	$40.62	$67.70	13	$97,008	$29,609	$126,616	46,750	14,269	61,019
5640	Marketing/Data Analyst	83%	1,726	1,726	$ 66,664	$ 56,102	$ 32.50	$40.62	$67.70	16	$97,008	$58,828	$155,835	46,750	28,350	75,100
5642	Technical/Building Survey	75%	1,560	1,560	$ 77,558	$ 60,033	$ 38.48	$48.10	$75.23	16	$88,021	$68,461	$156,481	42,320	32,915	75,235
5642	Technical/Data Analyst/Survey	83%	1,726	1,726	$ 77,558	$ 65,270	$ 37.81	$47.26	$75.23	16	$107,800	$65,373	$173,173	48,292	29,286	77,578
1632	Admin Assistant	75%	1,560	1,560	$ 51,740	$ 38,954	$ 24.97	$31.21	$57.38	16	$67,136	$52,217	$119,354	40,823	31,751	72,574
5211	DBI staff person								$63.68		$132,454	$17,546	$150,000	0	0	0
	Sub Total	**3.99**	**16,786**	**15,531**	**340,184**	**276,460**					**$870,717**	**$397,706**	**$1,268,423**	**$298,482**	**$163,407**	**461,889**
	Other Expenses															
	SFE Consultants										$222,729	$0	$222,729			
	Other Support Costs/Services										$66,574	$2,274	$68,848			
	TOTAL										**$1,160,020**	**$399,980**	**$1,560,000**			
	Overhead				**03/04 Costs**	**04/05 Costs**	**Total Costs**									
	City Attorney				$90,000	5,000	$95,000									
	Rent				$62,757	57,607	$120,364									
	Outreach Support				$57,700	22,300	$80,000									
	Accounting/IT and other Admin Support Staff				$84,025	76,500	$160,525									
	Materials & Supplies				$4,000	2,000	$6,000									
	Total Overhead				**298,482**	**163,407**	**461,889**									

Attachment II

SF Environment

WILLIE L. BROWN, JR.
Mayor

JARED BLUMENFELD
Director

July 10, 2003

TO: Theresa Lo, Budget Analyst Office

FROM: Mark Westlund

SUBJECT: SF PEP staffing

SF PEP will be staffed by existing SF Environment staff, as well as new staff including two 5640 Marketing/Outreach Coordinators, two 5642 Technical Support positions, and one 1632 Senior Account Clerk. The new positions are grant funded. These jobs will disappear when the project is completed. Existing staff will remain with SF Environment; new funding sources will be identified.

The existing staff breaks out as follows: 1156 Director (.03FTE), project oversight and planning, as well as attending public meetings; 5608 Lead Program Manager (.8FTE), daily program management; 5644 Program Manager (.8FTE), assist in daily program management, lead manager on code revisions and development; 1312 Outreach Assistant (.25 FTE), organize community meetings, assist with neighborhood-specific outreach in Bayview Hunters Point; 5646 Division Manager (.11FTE), program oversight; 0952 Deputy Director (.05FTE), financial review.

There will also be a 5211 Senior Engineer from DBI (1FTE) who will review permit applicaitons to find opportunities for applicants to take advantage of energy efficiency opportunities offered in this program. Per DBI, this position is $63.68 per hour, including benefits.

Job responsibilities for the new SFE staff are outlined below:

Marketing/Outreach Coordinators (5640 Environmental Specialist position)

- Assist in developing and implementing communications, marketing and outreach plans to ensure successful completion of projects.
- Perform project marketing tasks including: scheduling and attending public outreach meetings; preparing and providing presentations; working with other departmental staff to prepare and disseminate press releases; scheduling press events and talk show appearances; preparing and distributing flyers, posters and other marketing materials; coordinating follow-up tasks.
- Act as project liaison between customers, project staff, contractors, and other project participants.
- Act as project liaison between the department and other City agencies that can be enlisted to assist in marketing by providing lists, databases, mailing insert opportunities, etc.
- Obtain or develop lists of business and professional organizations and other groups for use in the marketing program.
- Make direct contact with customers through mailers, telephone, email, and site visits.
- Assist customers in obtaining the services they need to initiate and complete efficiency projects.
- Maintain database of marketing activities, customer contacts, and program results.

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- Prepare, compile and distribute reports, including budget and financial reports, progress reports, and the final report for distribution to the public through the SF Environment and Commission.
- Other duties as assigned.

Technical Support (5642 Senior Environmental Specialist position)

- Perform various duties applying technical knowledge of buildings and energy usage that may include: collect energy data, conduct energy surveys in commercial and residential buildings, identify and document energy problems, develop strategies for solving technical energy problems, develop specifications for energy using equipment, and evaluate the effectiveness of installed equipment.
- Work with marketing staff to identify facility owners and managers most likely to participate in programs and persuade customers to participate in the program.
- Manage energy efficiency projects including concurrently managing multiple projects in multiple facilities. This involves assisting customers in filling out program applications, performing or reviewing audits, designs, construction submittals, quality control inspections, project budgets, and project financing.
- Assist in development and implementation of technical oversight system, a project financing system, audit protocols, contracting standards, quality assurance and control systems, and monitoring and verification system.
- Research various energy related issues using internet, governmental agencies, trade associations, manufacturers, etc. Provide concise and effective reports.
- Communicate effectively through written and oral means. Collaborate with other staff, other City agencies, facility owners and managers, architects, engineers and consultants.
- Manage program data systems, track projects and create data reports and narrative reports, Other duties as assigned.

Senior Account Clerk (1632 Senior Account Clerk position)

Under supervision, Performs difficult bookkeeping and financial record keeping operations within complex accounting systems. Examples of duties include and are not limited to: interpreting, enforcing and carrying out existing policies and procedures relative to financial record keeping activities; making regular contacts with other departmental personnel and the general public in connection with bookkeeping and financial operations; preparing and maintaining a variety of complex financial and bookkeeping records and reports; posting, adjusting and balancing entries to ledgers; verifying the correctness of accounting documents; responding to inquiries and providing financial information; organizing and filing source documents; performing operations involving automated accounting systems and spreadsheet programs and performing related duties as required. Duties include processing documents using the City Accounting System, tracking and monitoring all expenses and revenue for contracts, maintaining internal accounting systems, and tracking and reporting on financial and other transactions for contracts. Assists Fiscal and Administration Manager on financial projects. Performs other duties as assigned.

Attachment IV

SF Environment

WILLIE L. BROWN, JR.
Mayor

JARED BLUMENFELD
Director

July 9, 2003

TO: Theresa Lo, Budget Analyst's Office

FROM: Mark Westlund

SUBJECT: The RFP Process for Energy Technical Assistance

An RFP for Energy and Resource Efficiency Consulting Assistance was issued by the Department of the Environment on December 10, 2001. The RFP was posted on the web site that day and a notice sent to over 75 parties over the next few days. Requests from other parties were met as they were received. A pre-proposal conference was held for bidders on December 18. Nineteen persons attended, representing 17 consulting firms. Attendance was not a prerequisite for submitting a bid. Ten proposals were received by the due date of January 18, 2002. One proposal was disqualified when a section of the proposal arrived after the deadline.

The RFP stated that the department was seeking to engage up to three firms to provide as-needed research, energy engineering, technical analysis, policy, and program design and implementation support. These tasks covered assistance that would be needed to support several programs including renewable energy, revising residential and commercial energy codes, the "Power Savers" program, and energy efficiency programs for multi-unit residential and commercial buildings. While each of these programs is different and has specific goals, they share similar research and technical support requirements. The intent of this RFP was to enable the department to manage programs more cost effectively by entering into contracts with several firms who could perform tasks that overlap program areas and that would need support simultaneously.

A panel of three reviewers evaluated and scored the proposals, using a predetermined set of criteria that had been spelled out in the RFP. Each of the criteria was assigned a designated number of points totaling 100. The RFP indicated that the top 5 proposers receiving scores greater than 70 points would be invited to an oral interview.

One of the criteria was fees, which was assigned 20 points. All bidders were provided a fee worksheet with a list of 12 job classifications and hours representative of a task they might be asked to perform. This was done to create an even playing field and to prevent gaming for lowest bid status.

Only four consulting firms scored above 70 points. They were interviewed on January 30 and 31, 2002, by the three reviewers plus one other panelist. Each finalist was asked the same set of eight questions, which they had received prior to the interview. They were also asked to respond to a ninth question of which they had no prior knowledge. Each question was assigned 10 points, for a total of 90 points. All interviews were limited to 90 minutes. Three consulting firms were chosen based on the interview scores: Brown, Vence, and Associates (BVA), Hellmuth, Obata & Kassabaum (HOK), and ICF Consulting.

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SF-PG&E Pilot - Consultants' Projects and Budgets

	Contractors			
Project	BVA	HOK	ICF	TOTAL
Residential Energy Conservation Code (RECO)			$ 26,200	$ 26,200
Commercial Energy Conservation Code (CECO)	$ 32,700			$ 32,700
GIS Mapping and Building Classification		$ 33,520		$ 33,520
Large Building Energy Management	15,400		15,523	$ 30,923
Data Center Design		15,000		$ 15,000
Building Surveys			84,386	$ 84,386
Total	$ 48,100	$ 48,520	$ 126,109	$ 222,729

Contractors	Budgeted Billable Hours	Average Hourly Rate	Total
Brown, Vence & Associates (BVA):	466	$ 103.33	$ 48,100
Hellmuth Obata & Kassabaum, Inc. (HOK)	413	117.50	48,520
ICF Consulting (ICF)	1062	118.75	126,109
			$222,729

Project Descriptions

Residential Energy Conservation Code (RECO): ICF Consulting will review old residential ordinance, investigate options for updating the codes, including expected energy savings, costs, return on investment, comparison to state codes, etc. They will make recommendations, both technical and institutional, and work with SFE and City Attorney in writing new code. ICF will also train City personnel on new code.

Commercial Energy Conservation Code (CECO): Brown, Vence & Associates (BVA) will review old commercial ordinance, investigate options for updating the codes, including expected energy savings, costs, return on investment, comparison to state codes, etc. They will make recommendations, both technical and institutional, and work with SFE and City Attorney in writing new code. BVA will also train City personnel on new code.

GIS mapping and Building Classification: Hellmuth Obata & Kassabaum, Inc. (HOK) will classify SF buildings by type, age, size and location and produce results in spreadsheets and on Global Information Systems maps. Several zip codes will be singled out for detailed analysis for targeting energy efficiency programs.

Large Building Energy Management: BVA will identify energy requirements for HVAC system equipment, and level of training for building engineering staff and define size of building where requirements apply. ICF will identify energy requirements for building energy management systems, demand controls and define size of building where requirements apply. Both will be involved in training City staff on procedures and enforcement of new requirements.

Data Center Design: HOK will take a Department of Energy study on Data Centers, analyze it and incorporate relevant information and recommendations for energy efficient standards into a new building ordinance.

Restaurant Surveys: ICF will do energy audits of restaurants, make recommendations for energy efficient upgrades, assist customers in applying for cash incentives, and do post installation inspections.

SF Environment

Attachment VI

WILLIE L. BROWN, JR.
Mayor

JARED BLUMENFELD
Director

July 10, 2003

TO: Theresa Lo, Budget Analyst Office

FROM: Mark Westlund

SUBJECT: SF PEP other support costs/services

The "Other Support Costs/Services" outlined in the SF Peak Energy Program budget include setting up training sessions for building inspectors, and costs incurred for holding meetings, venue rental, and printing flyers, agendas, and other collateral material.

Also in this category is our considerable work with the City Attorney's office, who will deal with ongoing contract and liability issues, as well as the following:

Negotiation of Contracts with PG&E. We understand that there will be two contracts with PG&E: an interim time and materials service contract and a longer term fixed price services contract. To date, we have spent about 8 hours reviewing and providing you with our comments on the first contract. We estimate about 40 hours of work remain on the first contract. This would include: attending meetings with SFE, PG&E and CPUC personnel and reviewing, drafting and negotiating contract terms.

Negotiation of Other Contracts. If SFE also or alternatively enters into a contract with the State of California, or other entities.

Drafting Ordinances. Based on our understanding, the SFE anticipates proposing at least three new ordinances dealing with building and construction to implement new energy efficiency programs. This would include: legal research; drafting; consulting and coordinating with other City department staff and stakeholders; attending meetings; and making presentations before the Building Inspections Commission, Board of Supervisors and other public bodies. Please note that it is very difficult to anticipate the complexity of relevant issues at this early stage; the cost could be substantially different than our estimate.

General Ongoing Legal Advice. This category would include routine legal services facilitating and supporting SFE's various activities in connection with the program. We anticipate the following types of services: helping to coordinate aspects of the program with other City departments, including Public Works, Public Health, Planning, and Building Inspection; advising on SFE compliance with new ordinances, such as reviewing reports, advising on drafting and adopting regulations, guidelines and policies; assisting with enforcement of ordinances (which could include administrative enforcement actions); drafting policy resolutions for the Commission on the Environment, other City commissions or boards and the Board of Supervisors; resolving disputes and enforcement of contracts; advising on personnel issues; advising on public meeting and public record issues; and providing other routine legal advice on issues as they arise.

Department of the Environment, City and County of San Francisco
Telephone: (415) 355-3700 • Fax: (415) 554-6393• 11 Grove Street, San Francisco, CA 94102
Email: Environment@ci.sf.ca.us • www.sfenvironment.com

Item 2 – File 03-1124

Department: Department of Public Health (DPH), San Francisco General Hospital (SFGH)

Item: Resolution concurring retroactively with the Controller's Certification that laundry services can continue to be performed for the Department of Public Health, San Francisco General Hospital by a private contractor for a lower cost than similar work performed by City and County employees.

Services to be Performed: Laundry Processing Services at San Francisco General Hospital

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for laundry processing services at San Francisco General Hospital for FY 2003-2004 would result in the estimated savings as follows:

City Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$543,593	$631,145
Fringe Benefits	176,699	190,400
Operating Expenses	123,616	123,616
Capital Costs	456,761	456,761
Total	$1,300,669	$1,401,922
Contractual Services Costs	705,216	706,107
Estimated Savings	$595,453	$695,815

Comments:

1. Laundry processing services at SFGH consists of such tasks as laundering linens, lab-coats and scrubs, according to Mr. Robert Longhitano of DPH.

2. Laundry processing services for SFGH were first certified as required under Proposition J (Charter Section 10.104) in 1994 and since then, such services have been continuously provided by outside contractors.

3. According to Ms. Angela Carmen of the DPH, Tartan Textiles, Inc. had been providing laundry services for San Francisco General Hospital since September 1, 1997 through an award of a competitively bid contract. Ms. Carmen reports that Tartan Textiles, Inc. was purchased by Angelica Textile Services and that the contract assumed by Angelica Textile Services expires on September 14, 2004.

4. The laundry processing service costs for FY 2003-2004 are $0.28 per pound. DPH estimates the total annual weight of the laundry it processes is 2.5 million pounds. According to Mr. Joe Matranga of the Controller's Office, the Contractual Services Costs used by the Controller are based on the 2,500,000 pounds of laundry at $0.28 per pound for processing services and the related DPH staff contract monitoring costs consist of 5 percent of one 2143 Hospital Assistant Administrator, resulting in a cost range of $5,216 to $6,107.

5. The Controller's supplemental questionnaire with the Department's responses is shown in Attachment I to this report.

6. Attachment II, provided by DPH, is a memo from Mr. Greg Sass, detailing the current status of laundry services at San Francisco General Hospital for FY 2003-2004 and the DPH plans for a future combined Laguna Honda Hospital and SFGH laundry operation using Civil Service personnel.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Department of Public Health

CONTRACT SERVICES: Laundry Services at San Francisco General Hospital

CONTRACT PERIOD FY 03/04

This analysis compares the cost of an in-house civil service operated laundry to a contracted operation.

(1) Who performed the activity/service prior to contracting out?
The laundry services at SFGH (SFGH) have been contracted out since 1994. In 1994 it was necessary to close the laundry for facility seismic upgrades. To date, the design of the upgrades and feasibility of using the existing structure is under review by OSHPD (Office of Statewide Health Planning and Development). Laundry staff present in 1994 were relocated to other City positions with a small crew remaining for distribution services.

(2) How many City employees were laid off as a result of contracting out?
No one was separated from City and County service as a result of contracting out.

(3) Explain the disposition of employees if they were not laid off.
Of the 35 laundry processing positions, twenty-four (24) were relocated to 9910 classification positions and other classifications within the Department of Public Health, retired, resigned, or took voluntary leave to accept another position. Eleven (11) positions remained at SFGH to manage the linen distribution system; these positions were not affected by the Prop J contract.

(4) What percentage of City employees' time is spent on services to be contracted out?
Approximately 5% of an Assistant Administrator's (classification 2143) time is spent administering this contract.

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
The services have been contracted out since 1994. In subsequent years it is likely to be an ongoing request for contracting out.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?
The first fiscal year for Proposition J certification was FY 1994-95. It has been certified every subsequent two years. It was last certified for the period July 1, 2002-June 30, 2003.

(7) How will the services meet the goals of your MBE/WBE Action Plan?
As part of the solicitation process MBE/WBE organizations are notified and encouraged to bid.

~~(8) Does the proposed contractor provide health insurance for its employees?~~
One of the requirements of the bid process is a respondent's ability to comply with the Health Care Accountability Ordinance (HCAO) of the City. The staff of the Office of Contract Administration does final determination of whether a vendor is in compliance with the HCAO.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?
One of the requirements of the bid process is to determine a respondent's ability to comply with the Domestic Partners Ordinance. If the Human Rights Commission has determined that the vendor is not in compliance, the Department will work with the vendor to achieve compliance with the equal benefits ordinance.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?
One of the requirements of the bid process is to determine a respondent's ability to comply with the Minimum Compensation Ordinance (MCO). Final determination of whether a vendor is in compliance with the MCO is done by the Living Wage/Living Health section of the Office of Contract Administration.

Department Representative: John Kanaley
Telephone Number: 415-206-8530

Attachment II

City and County of San Francisco

Department of Public Health

Gregg Sass
Chief Financial Officer

MEMORANDUM

July 10, 2003

To: Ken Bruce
Budget Analyst

From: Gregg Sass

Subject: Proposition J for outsourcing the SFGH Laundry

In response to your request, I am submitting the following explanation concerning our pending request for approval of a Proposition J to outsource the SFGH laundry for an additional 12 months.

The budget for SFGH for 03-04 was developed on the assumption that we would outsource laundry services for the 03-04 fiscal year. We have budgeted contract dollars for that purpose. We have not budgeted any additional positions or other expenses associated with providing SFGH laundry service at a City staffed laundry.

During the budget process, and in exchange for labor concessions, the Department committed to developing a civil service laundry at Oyster Point to replace the Laguna Honda Hospital laundry. We adjusted the Laguna Honda budget to continue civil service salaries and to pay for the build-out and rent of a facility in Oyster Point. We are proceeding with negotiating the lease for that facility. Lease discussions should be completed soon, at which time we will continue with acquiring equipment and building out the space to make the facility operational. We expect that it will be necessary to demolish the existing building that houses laundry at Laguna Honda before that process will be complete and therefore are planning to temporarily contract out laundry service on a month-to-month basis until we can occupy the new facility sometime early next calendar year.

There is no current alternative to contracting out the SFGH laundry in the short term. We expect that the start up of laundry services at Oyster Point will proceed efficiently. Once it is open and functional, we would consider terminating the contract and performing our SFGH laundry at the Oyster Point facility, assuming that it can be done at equal or less cost than contracting out.

Item 4 – File 03-1095

Department: Municipal Transportation Agency (MTA)

Item: Resolution concurring with the Controller's certification that facility security services for the Municipal Transportation Agency can continue to be practically performed by a private contractor at lower cost than by City and County employees.

Services to be Performed: Comprehensive facility security services for MTA operations.

Description: Charter Section 10.104 provides that the City may contract with private firms for services which can be performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for the facility security services for the MTA for FY 2003-2004 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$1,267,223	$1,502,333
Fringe Benefits	402,584	439,544
Total*	$1,669,808	$1,941,876
Contractual Services Cost	(1,461,125)	(1,464,870)
Estimated Savings	$208,683	$477,007

*Discrepancies are due to rounding.

Comments: 1. Facility security services for the MTA operations consist of (a) armed guards attending to Municipal Railway (Muni) employees involved in the handling of cash, tickets and passes, (b) observers who ride Muni vehicles to ensure the availability of seats for senior and disabled passengers in compliance with the Federal Americans with

Disabilities Act and (c) unarmed supervisors who oversee and coordinate the armed guards and observers.

2. According to Ms. Emily Kretz of the MTA, facility security services for the MTA were first certified as required by Charter Section 10.104 in FY 1983-84 and have been provided by an outside contractor since 1975.

3. Ms. Kretz states that the current contract for the MTA facility security services is with King Security Services. According to Ms. Kretz, the MTA conducted a competitive bidding process for Muni facility security services, and King Security Services submitted the lowest bid, which was accepted by the MTA. The contract period for the MTA facility security services with King Security Services is approximately August 1, 2002 through June 30, 2005. The contract could be renewed for up to two additional years after the expiration of the original contract period, by mutual agreement between the MTA and King Security Services, according to Ms. Kretz.

4. According to Mr. Joe Matranga of the Controller's Office, Contractual Services Costs used by the Controller are based on the King Security Services' proposed contract for FY 2003-2004 to provide facility security services, and related Muni salary and fringe benefits of a 0.2 FTE 8221 Chief of Protective Services position for contract monitoring, at the lowest salary step of $21,779, and highest salary step of $25,524.

5. The Controller's supplemental questionnaire, with the department's responses, is attached to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Municipal Transportation Agency (MTA)

CONTRACT SERVICES: Comprehensive Facility Security Services

CONTRACT PERIOD: July 1, 2003 thru June 30, 2004

(1) Who performed the activity/service prior to contracting out?

King Security Services Inc.

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

Approximately 20% of Class 8121 position to monitor contract (.25 FTE)

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Since 1975; Likely to be on-going.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

1983-84 Fiscal Year. Yes.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

They will comply with requirements of FTA DBE Program.

(8) Does the proposed contract require that the contractor provide health insurance for its employees?

Yes.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Contractor on HRC approved list for equal benefits requirements.

(10) Does the contractor Pay meet the provisions of the Minimum Compensation Ordinance?

Yes

Department Representative: Robert Hertan

Telephone Number: (415) 554-7150

Items 5 and 6 - Files 03-1102 and 03-1115

Note: These items were continued by the Finance and Audits Committee at its meeting of July 9, 2003.

Department: Sheriff's Department
Department of Human Resources

Item: File 03-1102

Ordinance adopting and implementing the Memorandum of Understanding between the City and County of San Francisco and the Deputy Sheriffs' Association regarding the amendment of the contract with the California Public Employees' Retirement System to provide the County's Sheriffs with the retirement benefits known as 3 percent at 55.

File 03-1115

Ordinance authorizing an Amendment to the Contract between the Board of Administration, California Public Employees' Retirement System, and the Board of Supervisors, City and County of San Francisco.

Description: On June 27, 2003, the Budget Committee recommended approval of and referred to the full Board of Supervisors a Resolution of Intention to approve an Amendment to the Contract between the California Public Employees' Retirement System (PERS) and the Board of Supervisors (File 03-0971) for consideration at the Board of Supervisors on July 8, 2003.

According to Ms. Linda Ross of the City Attorney's Office, the Public Employees' Retirement Law sets forth procedures by which the City enters into an amended contract with PERS on behalf of City employees. Ms. Ross advises that the Board of Supervisors must first approve a Resolution of Intent (File 03-0971) to amend the City's contract with PERS, and then adopt an ordinance (File 03-1115 of this report), authorizing the City to enter into a contract amendment with PERS.

File 03-1115

The proposed ordinance (File 03-1115) would approve a contract amendment between the City, on behalf of the Board of Supervisors, and PERS. The proposed PERS Contract Amendment would affect the Sheriff, the Undersheriff, Deputy Sheriffs, and certain miscellaneous City employees, who were formerly employed by the State Department of Mental Health and were transferred to City employment, and who are members of PERS. The proposed Contract Amendment between PERS and the Board of Supervisors would provide the following changes to the current PERS retirement benefits:

- The Sheriff, Undersheriff, and all Deputy Sheriffs, who are all members of PERS, will be eligible to receive retirement benefits at age 55, equal to three percent of the highest compensation in a single year, times the number of years of service, up to a maximum of 30 years of service. Therefore, a member retiring with 30 years of service at age 55 or older would receive retirement benefits equal to 90 percent (or 3 percent times 30 years) of their highest compensation in a single year. Ms. Linda Ross of the City Attorney's Office advises that currently, these classifications receive retirement benefits at age 50, equal to two percent of the highest compensation in a single year, times the number of years of service.
- Certain miscellaneous employees, who were formerly employed by the State Department of Mental Health and were transferred to City employment, will receive retirement benefits, which are calculated on their highest year of compensation. Currently, these employees receive retirement benefits, which are calculated on the average of the three highest years of compensation.

File 03-1102

The proposed ordinance (File 03-1102) would approve a Memorandum of Understanding (MOU) between the City and the Deputy Sheriffs' Association regarding

implementation of the proposed increased PERS retirement benefits for Deputy Sheriffs. According to Ms. Ross, the proposed MOU states that the Deputy Sheriffs' Association agrees that it has a continuing obligation to meet and confer with the City to implement a cost sharing agreement for the increased costs to the City of amending the PERS contract. Ms. Ross advises that the proposed MOU also states that the Deputy Sheriff's Association has met its obligation to share in the increased cost of the proposed PERS contract amendment in FY 2003-2004 and FY 2004-2005. Ms. Ross advises that such cost sharing is provided in the Collective Bargaining Agreement between the Deputy Sheriffs' Association and the City, which was approved by the Board of Supervisors on May 20, 2003 and is effective from July 1, 2003 through June 30, 2005. Under the Collective Bargaining Agreement, the Deputy Sheriffs' Association has agreed to have the employees rather than the City pay the employees' share of the retirement contributions in an amount equal to 7.5 percent of salary for the two-year term of the Collective Bargaining Agreement. In most of the Collective Bargaining Agreements with the City's other employee organizations, employees pay the 7.5 percent contribution for just one year and not two years. Also, under the Collective Bargaining Agreement, the Deputy Sheriffs' Association agrees that its members will not receive the five floating holidays in compensation for paying their own retirement contribution in FY 2003-2004, which was provided in the Collective Bargaining Agreements with the City's other employee organizations.

Fiscal Impact: According to the cost analysis provided by PERS, under the proposed PERS contract amendment, the City's employer contribution rate for the Sheriff, Undersheriff, and Deputy Sheriffs will increase by 3.781 percentage points, from 6.431 percent of salary for FY 2002-2003 to 10.212 percent of salary in FY 2003-2004. According to Ms. Michelle Allersma of the Controller's Office, under the City's contract with PERS, the City's contribution for all City safety classifications who are members of PERS, which

include Juvenile and Adult Probation Officers, District Attorney's Investigators, and Institutional Police, will increase, although only the Sheriff, the Undersheriff, and the Deputy Sheriffs will receive the enhanced retirement benefit known as 3 percent at 55. Therefore, Mr. Allersma advises that the total amount budgeted in FY 2003-2004 for all safety classifications who are members of PERS as a result of the proposed retirement benefit enhancement for the Sheriff, the Undersheriff, and the Deputy Sheriffs will be approximately $2,410,000, which includes $1,833,816 in the Sheriff's Department's budget, plus $576,184 in the Adult Probation, Juvenile Probation and District Attorney's FY 2003-2004 budgets.

According to the PERS Cost Analysis, under the Proposed PERS contract amendment, the City will not make an employer contribution on behalf of the eligible miscellaneous employees in FY 2003-2004 and in FY 2004-2005.

Recommendation: Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

H. M. Rose

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

[All Committees]
Government Document Section
Main Library

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, July 23, 2003 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

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/23/03

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

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MEETING CONVENED

The meeting convened at 12:41 p.m.

REGULAR AGENDA

030743 **[Lease, Parking Agreement and Negative Declaration for Piers 1½, 3 and 5]**

Supervisor Peskin

Resolution approving and authorizing a 66-year Lease with San Francisco Waterfront Partners, LLC for Piers 1½, 3 and 5, Approving Related Parking Agreement, and Adopting Findings of Mitigated Negative Declaration pursuant to California Environmental Quality Act.

(Public Benefit Recipient.)

4/29/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Douglas Wong, Byron Rhett, Jennifer Sobol, Port of San Francisco; Neil Sekhri, Deputy City Attorney; Ernestine Weiss; Charles Chase, SF Architectural Heritage; Simon Snellgrove, San Francisco Waterfront Partners; Harvey Rose, Budget Analyst.
Continued to 7/30/03.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031201 **[California Environmental Quality Act Findings]**

Supervisor Daly

Motion adopting findings pursuant to the California Environmental Quality Act in connection with approval of a New Transportation Expenditure Plan and Sales Tax Reauthorization.

7/8/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for consideration at the July 23, 2003 meeting.
Companion File 031111

Heard in Committee. Speakers: Bill Barnes, Legislative Aide to Supervisor Daly; Harvey Rose, Budget Analyst; Maria Lombardo, Municipal Transportation Agency; Tom Radulovich, Bruce Oka, James Haas, Jackie Sachs, Expenditure Plan Advisory Committee; Richard Robinson.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031111 **[Reauthorizing the Sales and Use Tax for Transportation]**

Supervisors Daly, Gonzalez, Ammiano, Peskin, Dufty, Maxwell, Ma, Sandoval, McGoldrick

Resolution approving a New Transportation Expenditure Plan and calling and providing for a special election to be held on November 4, 2003, to be consolidated with the General Municipal Election already scheduled for November 4, 2003, for the purpose of submitting to the voters an ordinance amending Sections 1401, 1402, 1403, 1404, 1405, 1406, 1408, 1413, 1414, and 1415 of, and adding Section 1419 to, Article 14 of the Business and Tax Regulations Code of the City and County of San Francisco so as to (1) authorize implementation of a New Transportation Expenditure Plan, directing the transactions and use tax ("sales and use tax") revenues to specific transportation improvements over the next 30 years and making provisions for the adoption of future expenditure plan updates; (2) continue collection of the sales and use tax at the existing level of one-half of one percent during implementation of the New Transportation Expenditure Plan and its updates; (3) continue in effect the San Francisco County Transportation Authority as the independent agency to administer the tax and oversee implementation of the projects; (4) authorize the San Francisco County Transportation Authority to issue limited tax bonds as needed, in a total outstanding aggregate amount not to exceed $1,880,000,000 and which is payable from the revenue generated hereunder; (5) approve the California Constitution Article XIII B Appropriations Limit of $485,175,000; (6) forbid the enjoining of collection of the tax; and (7) make recipient departments responsible for certifying that the tax revenues will not be substituted for property tax funds for existing programs.

7/8/03, SUBSTITUTED. Supervisor Daly submitted a substitute resolution bearing new title.

7/8/03, ASSIGNED to Finance and Audits Committee. Companion File 031201

Heard in Committee. Speakers: Bill Barnes, Legislative Aide to Supervisor Daly; Harvey Rose, Budget Analyst; Maria Lombardo, Municipal Transportation Agency; Tom Radulovich, Bruce Oka, James Haas, Jackie Sachs, Expenditure Plan Advisory Committee; Richard Robinson.
Supervisors Sandoval and McGoldrick requested to be added as co-sponsors.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031169 **[Reimbursable Professional Services Agreement with Siemens Dematic Group]**

Resolution approving the Reimbursable Professional Services Agreement with Siemens Dematic Group for the project management and construction management services in the estimated amount of $2,160,000. (Airport Commission)

(Fiscal impact; Public Benefit Recipient.)

6/27/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Ivar Satero, Airport Commission; Harvey Rose, Budget Analyst.
7/23/03 Amend the title on page 1 line 6, replace "$2,160,000" with "$1,990,000". At page 2 lines 2 and 10, replace "$2,160,000" with "$1,990,000".

AMENDED.

Resolution approving the Reimbursable Professional Services Agreement with Siemens Dematic Group for the project management and construction management services in the estimated amount of $1,990,000. (Airport Commission)

(Fiscal impact; Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031195 **[Memorandum of Understanding re PERS Contract Amendment]**

Mayor, Supervisor Sandoval

Ordinance adopting and implementing the Memorandum of Understanding between the City and County of San Francisco and the Municipal Executives' Association regarding the amendment of the contract with the Public Employees' Retirement System to provide the County's Sheriffs with the retirement benefits known as 3% @ 55. (Mayor)

7/8/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Jean Mariani, Sheriff's Department; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 2:33 p.m.

CITY AND COUNTY OF SAN FRA[illegible]

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

[Budget Analyst Report]
Susan Hom
Main Library-Govt. Doc. Sectior

July 17, 2003

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SAN FRANCISCO
PUBLIC LIBRARY

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: July 23, 2003 Finance and Audits Committee Meeting

Item 1 - File 03-0743

Department: Port of San Francisco

Item: Resolution approving and authorizing a 50-year lease with a 16-year renewal option between the Port and San Francisco Waterfront Partners I, LLC for Piers 1½, 3 and 5, approving the related Parking Agreement, and adopting Findings related to the Mitigated Negative Declaration prepared pursuant to the California Environmental Quality Act (CEQA).

Location: Piers 1½, 3 and 5 between Washington Street and Broadway, San Francisco.

Purpose of Lease: To develop the buildings on Piers 1½, 3 and 5 (collectively known as the "Piers Project").

Under the proposed lease between the Port and San Francisco Waterfront Partners I, LLC, the lessee, San Francisco Waterfront Partners I, LLC, would renovate, repair, and restore the historic Piers 1½, 3 and 5, to be used for retail, office, and public spaces, at an estimated total cost of $44,000,000, which, according to the Port, would make the piers an active part of the waterfront, generating rental income for the Port.

Description: The proposed resolution would authorize:

(a) A new 50-year lease (with a 16-year renewal option) between the Port and San Francisco Waterfront Partners I, LLC, for 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5, which are under the jurisdiction of the Port.

(b) A new 50-year Parking Agreement between the Port and San Francisco Waterfront Partners I, LLC (with a 16-year renewal option) for 25 parking spaces. The Port has negotiated on behalf of San Francisco Waterfront Partners I, LLC, for Hornblower Yachts, Inc., an existing maritime tenant which leases 80,701 square feet of Pier 3 space, to provide San Francisco Waterfront Partners I, LLC with 25 parking spaces at Pier 3 at market rates. In the future, if a new parking garage is built nearby on Port property, 20 of the spaces required by San Francisco Waterfront Partners I, LLC might be located at that new parking garage.

San Francisco Waterfront Partners I, LLC would spend an estimated $44,000,000 for total project costs to construct the following on the existing 71,767 of wharf space and open water areas at Piers 1 ½, 3 and 5:

- Approximately 15,785 square feet for three food and beverage establishments on the ground floor.
- No more than 60,017 square feet of Class A office space (excluding common areas), primarily above the ground floor. The Port has an option to expand its administrative offices into a portion of this space on the second floor (see Comment No. 6).
- Approximately 1,400 square feet for a new sales and ticket office for Hornblower Yachts, Inc., an existing maritime tenant of the Port's on the adjacent open portion of Pier 3 (which is outside the scope of the Piers Project),[1] provided Hornblower Yachts, Inc. exercises its option to sublease this space. If

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[1] The open portion of Pier 3 is presently leased to Hornblower Yachts, Inc. and is not part of the Piers Project. The Port currently maintains the access ways from the Embarcadero to that portion of Pier 3. The Port has performed emergency substructure repairs to the Pier 3 access ways at a cost of $2,400,000.

Hornblower Yachts, Inc. exercises its option, Hornblower Yachts, Inc. would be required to pay for any tenant improvements.

- Approximately 31,071 square feet of public access, including a boat dock for water taxis and temporary berthing for recreational boats at Pier 1½, bayside walkways between Pier 1 and Pier 7, and an interior Bayside History Walk through Piers 1½ and 3, which includes plaques and displays depicting the piers' history.

Mr. Bennett advises that the Piers Project, as described above will total approximately 108,273 square feet, or 36,506 square feet more than the 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5 due to the internal addition of mezzanine floors and second floors within the buildings on Pier 3 and Pier 5, and the construction of a public berthing/water taxi dock.

Under the proposed lease, San Francisco Waterfront Partners I, LLC would be responsible for making all repairs and for maintaining the structure, substructure, and public access areas of Piers 1½, 3 and 5. San Francisco Waterfront Partners I, LLC would receive from the Port up to $10,000,000 in rent credits for the cost of repairs to the piers' substructures within a maximum of 15 years (see Rent Credits Section below).

Lessor: San Francisco Port Commission

Lessee: San Francisco Waterfront Partners I, LLC, a California limited liability company. San Francisco Waterfront Partners I, LLC is a wholly-owned subsidiary of San Francisco Waterfront Partners, LLC, a joint venture consisting of:

- Putnam Waterfront Partners, LLC (managing member). Putnam Waterfront Partners is a joint venture of Mr. Donald Putnam, Mr. Simon Snellgrove,

Mr. Jeffrey Lewis, and Primus Infrastructure Company, LLC (co-development manager).[2]

- The California State Teachers' Retirement System (CalSTRS). CalLSTRS would provide 100 percent of the debt financing and $13,100,000 of the equity required for the project, which is approximately 29.8 percent of the total project cost of $44,000,000.

No. of Sq. Ft. 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5.

Rent Payable by San Francisco Waterfront Partners I, LLC to the Port: <u>Minimum Rent</u>

Under the proposed lease, because the substructures under the buildings at Piers 1½, 3 and 5 have been condemned, there would be no Minimum Rent payable to the Port during the construction period estimated to last for a maximum of 24 months. However, once a certificate of occupancy is issued, or 24 months after lease commencement, whichever occurs first, San Francisco Waterfront Partners I, LLC would be required to pay the Port a Minimum Rent of $500,000 annually (before rent credits, as explained below), payable in monthly installments of $41,667.

Under the proposed lease, the Minimum Rent would be increased every five years by the cumulative increase in the Consumer Price Index (CPI) over that five year period, with a minimum increase of 10 percent and a maximum increase of 20 percent regardless of whether the cumulative CPI increase over five years is less than 10 percent or greater than 20 percent.

Under the proposed lease, the Minimum Rent would be further adjusted at the end of the 20th and 40th years, and at the end of the 50th year if San Francisco Waterfront Partners I, LLC exercises the lease renewal option, to the greater of (a) the CPI adjustment, or (b) 85 percent of the

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2 Primus Infrastructure Company, LLC was formerly The Jefferson Company. The August 31, 2000 Request for Proposals response from San Francisco Waterfront Partners I, LLC listed that company under its former name.

average annual Minimum Rent plus the Percentage Rent during the preceding ten years.

Percentage Rent

Under the proposed lease, San Francisco Waterfront Partners I, LLC would pay the Port a Percentage Rent equal to 15 percent of its gross receipts during each quarter, if the Percentage Rate exceeds the Minimum Rent. Therefore, San Francisco Waterfront Partners I, LLC would pay the Port the greater of the Minimum Rent or the Percentage Rent.

Rent Credits

Under the proposed lease, San Francisco Waterfront Partners I, LLC would receive rent credits from the Port for the hard and soft costs it incurs to repair and upgrade the piers' substructures, up to a maximum of $10,000,000 and excluding any interest charges. The Port would give rent credits to San Francisco Waterfront Partners I, LLC each month that San Francisco Waterfront Partners I, LLC pays the Port a Percentage Rent, which as previously stated, is the amount of rent payable if the Percentage Rent is greater than the Minimum Monthly Rent of $41,667. The granting by the Port to San Francisco Waterfront Partners I, LLC of such Rent Credits expires when San Francisco Waterfront Partners I, LLC has received total rent credits for allowable repair and upgrade costs of up to $10,000,000 or over 15 years, whichever occurs earlier, since the amount of rent credits granted depend on the amount of Percentage Rent payable to the Port. The Port expects San Francisco Waterfront Partners I, LLC to amortize the complete cost of substructure improvements within a maximum of 15 years according to Port financial projections. The projected amortization schedule for the estimated costs of up to $10,000,000 for substructure improvements are shown in Attachment I, provided by the Port, in the column "Cumulative Rent Credits."[3]

[3] As shown in Attachment I, under Alternate A, amortization would occur between Years 3 and 16, in the full amount of $10,000,000. Under Alternate B, amortization would occur between Years 3 and 17, in the estimated amount of $9,394,104. Under Alternate C, amortization would occur between Years 3 and 17, in the estimated amount of $8,601,921.

Federal Rehabilitation Tax Credits

Under the proposed lease, San Francisco Waterfront Partners I, LLC would retain all proceeds from Federal Rehabilitation Tax Credits received as a result of complying with the U.S. Secretary of the Interior's Standards for Rehabilitation of Historic Buildings. Ms. Jennifer Sobol of the Port advises that San Francisco Waterfront Partners I, LLC will receive an estimated $6,000,000 in Federal Rehabilitation Tax Credits. Ms. Sobol further advises that the majority of these Federal Rehabilitation Tax Credits will be realized by San Francisco Waterfront Partners I, LLC when the first certificate of occupancy is issued by the Port to San Francisco Waterfront Partners I, LLC.

Port's Participation in Net Sales Proceeds

Under the proposed lease, San Francisco Waterfront Partners I, LLC could sell the lease at any time, subject to approval by the Port Commission, but not subject to approval by the Board of Supervisors. Under the proposed lease, San Francisco Waterfront Partners I, LLC and any subsequent lessee would pay the Port 15 percent of the net sales proceeds from all sales of the leasehold by the existing lessee during the initial 50-year lease term. The net sales proceeds for the first such leasehold sale would be the total sale price less (a) transaction expenses, and (b) San Francisco Waterfront Partners I, LLC's net development costs. The net sales proceeds from any subsequent lessee sale in the future are the total leasehold sale price less (a) transaction expenses, and (b) the seller's purchase price for the leasehold.

Total Projected Revenues to the Port

Attachment I shows the projected revenues to the Port from San Francisco Waterfront Partners I, LLC between 2003 and 2053 from the Minimum Rent, the Percentage Rent, and the Port's participation in net sales proceeds, less rent credits. Attachment I contains three alternative revenue projections:

- Under Alternate A, which assumes potential office sublease rent per square foot of $60.00 annually, and other potential sublease rent per square foot of $40.00 annually, the estimated revenue to the Port totals $64,788,339 over 50 years, an average of $1,295,767 per year (as stated on page 1 of Attachment I).
- Under Alternate B, which assumes potential office sublease rent per square foot of $50.00 annually, and other potential sublease rent per square foot of $33.00 annually, the estimated revenue to the Port totals $51,802,808 over 50 years, an average of $1,036,056 per year (as stated on page 3 of Attachment I).
- Under Alternate C, which assumes potential office sublease rent per square foot of $46.00 annually, and other potential sublease rent per square foot of $31.00 annually, the estimated revenue to the Port totals $47,295,810 over 50 years, an average of $945,916 per year (as stated on page 5 of Attachment I).

Term of Lease and Parking Agreement: September 1, 2003 to August 31, 2053 (50 years)

Right of Renewal: Sixteen years. If San Francisco Waterfront Partners I, LLC exercises the 16 year renewal option, the total lease term would be 66 years, expiring on August 31, 2069.

Comments:

1. Piers 1½, 3 and 5, which are located north of the Ferry Building, were built in 1918 and were listed in November of 2002 on the National Register of Historic Places as its own separate district called the Central Embarcadero Piers Historic District. The Port's Waterfront Land Use Plan requires that any improvements to these historic pier structures be consistent with the U.S. Secretary of the Interior's Standards for Rehabilitation of Historic Buildings. Compliance with these standards would make

San Francisco Waterfront Partners I, LLC eligible for Federal Rehabilitation Tax Credits.

2. The buildings on all three piers were condemned in December of 2000 by the Port as being unsafe for occupancy due to the deteriorated condition of the piers' substructure. All leases for buildings on the three piers were terminated and all tenants vacated the pier buildings. Therefore, since December of 2000, the Port has not received any income from the condemned portions of the piers (although it has received rental income from Hornblower Yachts, Inc. which occupies the open portion of Pier 3).

3. On March 10, 2000, the Port issued a Request for Proposals to lease and develop Piers 1½, 3 and 5. On August 31, 2000, the Port received the following three proposals:

- Embarcadero Waterfront Partners, LLC, owned by Levin Menzies Kelly & Associates, LLC.
- San Francisco Waterfront Partners I, LLC, a joint venture of Putnam Waterfront Partners, LLC (managing member), Primus Infrastructure Company, LLC (development manager), and CalSTRS.
- Watermark Partners, LLC, a joint venture of Fidelity Partners, Inc. (managing member) and ING Realty Partners.

These three proposals were reviewed by Port staff and an independent team of qualified architecture, engineering, and planning consultants led by Keyser Marston Associates, Inc., a real estate economics and planning firm.[4]

[4] In addition to reviewing the economic aspects of the proposal, Keyser Marston Associates, Inc. led a team comprising (a) BMS Design Group (reviewed the design proposal, and physical and historic preservation aspects), (b) Moffatt and Nichol Engineering (reviewed the pier substructure repair proposals), (c) Esherick Homsey Dodge and Davis (reviewed the historic rehabilitation elements of the proposals), and (d) Pittman and Hames (undertook an office and retail space rent comparison study).

4. Port staff, with input from the consultant team, ranked San Francisco Waterfront Partners I, LLC Number 1 in terms of meeting the selection criteria. The three proposals were ranked as follows:

Request for Proposals Criteria	Embarcadero Waterfront Partners, LLC	San Francisco Waterfront Partners, LLC	Watermark Partners, LLC
Ability, experience, and past economic performance	2	1	3
Development concept	2	1	3
Financial proposal	1	1	3
Project feasibility	2	1	3
Overall Ranking	2	1	3

According to Ms. Sobol, the San Francisco Waterfront Partners I, LLC's proposal contained the least amount of new construction and office space, best achieved the Port's planning and design objectives, provided more of the required and encouraged uses defined in the Request for Proposal, promoted maritime activities, and provided the most public access. A detailed comparison of the three proposals is contained in Attachment II, provided by the Port.

5. Mr. Bennett advises that this proposed lease is structured so that private development would generate the revenues necessary to fund the required repairs and upgrades to the substructures of Piers 1½, 3 and 5 (with the Port granting San Francisco Waterfront Partners I, LLC rent credits for up to $10,000,000 of those costs), and then the Port would participate in the future revenues generated by the development of the site. According to Mr. Bennett, the subject transaction is not structured to provide San Francisco Waterfront Partners I, LLC with a preferred return[5] on its development costs of an estimated

[5] Mr. Bennett advises that under a "preferred return" participation structure, the developer (in this case, San Francisco Waterfront Partners I, LLC) would obtain a preferred return on its investment prior to the Lessor (in this case, the Port) receiving its participation. Therefore, the developer's return has priority over the Lessor's. The proposed lease is <u>not</u> structured to provide San Francisco Waterfront Partners I, LLC with a preferred return.

$44,000,000. The 15 percent percentage rent is simply calculated as a percentage of San Francisco Waterfront Partners I, LLC's gross receipts. Similarly, if the leasehold is sold prior to the end of the lease, the Port's participation in sales proceeds is simply calculated at 15 percent of net sales proceeds. While San Francisco Waterfront Partners I, LLC assumes all the development cost risk, it would retain all Federal Rehabilitation Tax Credits and all proceeds from refinancing, and it would receive rent credits for the cost of substructure repairs up to $10,000,000. The Port advises that this proposal provides the Port with a relatively predictable income stream, limiting downward volatility. While the Port advises that the proposal from San Francisco Waterfront Partners I, LLC might not provide the Port with as much potential future revenue as a typical preferred return structure, according to Mr. Bennett the Port's participation in future revenues is more secure under the proposed lease. Mr. Bennett states that this proposal still provides a significant and more certain opportunity for the Port to participate in greater potential revenues, through the Port's participation in the gross receipts of San Francisco Waterfront Partners I, LLC and from net sales proceeds of the leasehold. Attachment III, provided by Mr. Bennett, provides further information about the proposed transaction structure.

6. Under the proposed lease between the Port and San Francisco Waterfront Partners I, LLC, the Port has the option to expand its current offices at Pier 1, presently consisting of 52,475 square feet, into an additional estimated 3,132 square feet in the proposed second floor of Piers 1½ and 3. The option is exercisable at market rates once every ten years, if space becomes available. Ms. Sobol advises that exercising this option would cost the Port an estimated annual rental of $144,072 ($46.00 per square foot per year) to $187,920 ($60.00 per square foot per year), based upon the current office rental projections in Attachment I.

7. Ms. Sobol advises that the following regulatory agencies must approve the project proposed by the San Francisco Waterfront Partners I, LLC:

- The Board of Supervisors (the subject resolution).
- The San Francisco Planning Department. The California Environmental Quality Act review has been completed, and a letter from the Planning Department granting an Off-street Parking Exemption has been issued.
- The State Lands Commission (no approval required, but the State Lands Commission's Executive Director has provided a letter requested by the Port that the proposed Piers Project is consistent with the public trust).
- The Port Commission (approval received).
- The National Park Service and Historic Preservation Officer (approval pending).
- The Bay Conservation and Development Commission (approval received).
- The Port's Building Department. Ms. Sobol advises that the Port's Building Department is reviewing the initial construction drawings and will issue a Site Permit prior to delivery of the lease.
- The Army Corps of Engineers. Ms. Sobol advises that the Army Corps of Engineers has indicated that it is prepared to approve the project, and will issue a permit prior to delivery of the lease.

According to Ms. Sobol, the Port anticipates that these approvals will be made in time for construction to begin in the Fall of 2003 so that construction can be completed by 2005.

8. On May 31, 2002, the Planning Department completed its environmental review of the proposed project and issued a Mitigated Negative Declaration which (a) finds that the project will not have a significant effect on the environment, and (b) identifies certain mitigation and improvement measures to avoid potential significant negative effects.

9. As previously noted, under the proposed lease, the Minimum Rent would be increased every five years by the cumulative increase in the Consumer Price Index (CPI) over that five year period, with a minimum increase of 10 percent and a maximum increase of 20 percent. The Budget Analyst notes that a rent increase based on annual increases in the CPI would result in greater minimum rent due to the Port. For example, under the proposed lease, the total Minimum Rent due to the Port over the first five years that rent is to be paid (i.e., after the construction period) would be $2,500,000 ($500,000 annually for five years). If, for example, the CPI were to increase by four percent annually over that period, and the Minimum Rent were to be adjusted annually based on such CPI increases, the Port would be due Minimum Rent of $2,708,161 over the first five years, which is $208,161 or 8.3 percent more than the Minimum Rent specified in the proposed lease.

In response, Mr. Bennett states that the Minimum Rent would be subject to a CPI adjustment every five years, rather than annually, with a minimum and maximum increase, because such provisions are consistent with the real estate leasing practice for longer term leases. Mr. Bennett advises that the cumulative CPI increase every five years, rather than an annual CPI increase, is an important part of the financial proposal submitted by the San Francisco Waterfront Partners I, LLC. According to Mr. Bennett, depending on the market throughout the term of the lease, San Francisco Waterfront Partners I, LLC may not be able to obtain annual cost of living increases from their subleasees. Mr. Bennett advises that five-year increases in the Minimum Rent would enable San Francisco Waterfront Partners I, LLC to better strategize the timing of their subleases. Mr. Bennett also advises that the Port is protected by the cumulative cost of living increases in the Minimum Rent and by the quarterly payment of the Percentage Rent, noting that the Port's projections show that the Percentage Rent will exceed the Minimum Rent under all projection scenarios. However, the Budget Analyst notes that there is no guarantee that the Percentage Rent will exceed the Minimum Rent.

Mr. Bennett advises that re-negotiating the cumulative CPI increase to an annual increase will re-open negotiations of other lease terms that are important to San Francisco Waterfront Partners I, LLC.

Recommendation:

1. In accordance with Comment 9, amend the proposed resolution to require that the Port Commission amends the Lease to provide for annual CPI adjustments to the proposed Minimum Rent instead of cumulative CPI adjustments once every five years.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE A

Assumptions:
Potential Office Sublease Rent Per Square Foot: $60.00
Potential Other Sublease Rent Per Square Foot: $40.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				$58,402,805	$6,385,534	$64,788,339	
Average Years 1-50				$1,168,056		$1,295,767	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	155,147	(605,147)	50,000	0	50,000	605,147
4	500,000	174,801	(624,801)	50,000	0	50,000	1,229,948
5	500,000	195,045	(645,045)	50,000	0	50,000	1,874,993
6	500,000	215,896	(665,896)	50,000	0	50,000	2,540,889
7	500,000	237,373	(687,373)	50,000	0	50,000	3,228,262
8	579,637	179,857	(709,494)	50,000	0	50,000	3,937,757
9	579,637	202,642	(732,279)	50,000	0	50,000	4,670,036
10	579,637	226,111	(755,748)	50,000	0	50,000	5,425,784
11	579,637	250,283	(779,920)	50,000	0	50,000	6,205,704
12	579,637	275,181	(804,818)	50,000	0	50,000	7,010,522
13	671,958	208,504	(830,462)	50,000	0	50,000	7,840,984
14	671,958	234,918	(856,876)	50,000	0	50,000	8,697,860
15	671,958	262,124	(884,082)	50,000	0	50,000	9,581,942
16	671,958	290,147	(418,058)	544,047	0	544,047	**10,000,000**
17	671,958	319,010	0	990,968	0	990,968	
18	778,984	241,713	0	1,020,697	2,940,706	3,961,403	
19	778,984	272,334	0	1,051,318	0	1,051,318	
20	778,984	303,874	0	1,082,858	0	1,082,858	
21	778,984	336,360	0	1,115,343	0	1,115,343	
22	778,984	369,820	0	1,148,804	0	1,148,804	
23	903,056	280,212	0	1,183,268	0	1,183,268	
24	903,056	315,710	0	1,218,766	0	1,218,766	
25	903,056	352,273	0	1,255,329	0	1,255,329	
26	903,056	389,933	0	1,292,988	0	1,292,988	
27	903,056	428,723	0	1,331,778	0	1,331,778	
28	1,046,889	324,843	0	1,371,731	0	1,371,731	
29	1,046,889	365,994	0	1,412,883	0	1,412,883	
30	1,046,889	408,381	0	1,455,270	3,444,828	4,900,098	
31	1,046,889	452,039	0	1,498,928	0	1,498,928	
32	1,046,889	497,007	0	1,543,896	0	1,543,896	
33	1,213,631	376,582	0	1,590,213	0	1,590,213	

34	1,213,631	424,288	0	1,637,919	0	1,637,919
35	1,213,631	473,425	0	1,687,057	0	1,687,057
36	1,213,631	524,037	0	1,737,668	0	1,737,668
37	1,213,631	576,167	0	1,789,798	0	1,789,798
38	1,406,931	436,561	0	1,843,492	0	1,843,492
39	1,406,931	491,866	0	1,898,797	0	1,898,797
40	1,406,931	548,830	0	1,955,761	0	1,955,761
41	1,406,931	607,503	0	2,014,434	0	2,014,434
42	1,406,931	667,936	0	2,074,867	0	2,074,867
43	1,631,019	506,094	0	2,137,113	0	2,137,113
44	1,631,019	570,207	0	2,201,226	0	2,201,226
45	1,631,019	636,244	0	2,267,263	0	2,267,263
46	1,631,019	704,262	0	2,335,281	0	2,335,281
47	1,631,019	774,321	0	2,405,339	0	2,405,339
48	1,890,798	586,702	0	2,477,500	0	2,477,500
49	1,890,798	661,027	0	2,551,825	0	2,551,825
50	1,890,798	737,581	0	2,628,379	0	2,628,379

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	5,396,766
Sales Price @ 9% Cap Rate	59,964,062
Less: Cost of Sales @ 3%	(1,798,922)
Add: PV Rent Credits @ 9%	5,439,566
Less: Development Costs	(44,000,000)
Net Sales Proceeds	19,604,706
Port Participation @ 15%	**2,940,706**

Second Sale (Year 30)

Net Operating Income Year 31	7,694,497
Sales Price @ 9% Cap Rate	85,494,414
Less: Cost of Sales @ 3%	(2,564,832)
Less: Purchase Price	(59,964,062)
Net Sales Proceeds	22,965,520
Port Participation @ 15%	**3,444,828**

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE B

Assumptions:
Potential Office Sublease Rent Per Square Foot: $50.00
Potential Other Sublease Rent Per Square Foot: $33.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				$47,551,672	$4,251,136	$51,802,808	
Average Years 1-50				$951,033		$1,036,056	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	45,414	(495,414)	50,000	0	50,000	495,414
4	500,000	61,776	(511,776)	50,000	0	50,000	1,007,190
5	500,000	78,629	(528,629)	50,000	0	50,000	1,535,819
6	500,000	95,988	(545,988)	50,000	0	50,000	2,081,808
7	500,000	113,868	(563,868)	50,000	0	50,000	2,645,676
8	579,637	52,647	(582,284)	50,000	0	50,000	3,227,960
9	579,637	71,616	(601,253)	50,000	0	50,000	3,829,212
10	579,637	91,153	(620,790)	50,000	0	50,000	4,450,002
11	579,637	111,277	(640,914)	50,000	0	50,000	5,090,916
12	579,637	132,004	(661,641)	50,000	0	50,000	5,752,558
13	671,958	61,032	(682,990)	50,000	0	50,000	6,435,548
14	671,958	83,022	(704,980)	50,000	0	50,000	7,140,528
15	671,958	105,671	(727,630)	50,000	0	50,000	7,868,158
16	671,958	129,000	(750,958)	50,000	0	50,000	8,619,116
17	671,958	153,029	(774,987)	50,000	0	50,000	9,394,104
18	778,984	70,753	0	849,737	1,383,295	2,233,031	
19	778,984	96,245	0	875,229	0	875,229	
20	778,984	122,502	0	901,486	0	901,486	
21	778,984	149,547	0	928,530	0	928,530	
22	778,984	177,403	0	956,386	0	956,386	
23	903,056	82,022	0	985,078	0	985,078	
24	903,056	111,575	0	1,014,630	0	1,014,630	
25	903,056	142,014	0	1,045,069	0	1,045,069	
26	903,056	173,366	0	1,076,421	0	1,076,421	
27	903,056	205,658	0	1,108,714	0	1,108,714	
28	1,046,889	95,086	0	1,141,975	0	1,141,975	
29	1,046,889	129,346	0	1,176,235	0	1,176,235	
30	1,046,889	164,633	0	1,211,522	2,867,841	4,079,363	
31	1,046,889	200,978	0	1,247,867	0	1,247,867	
32	1,046,889	238,414	0	1,285,303	0	1,285,303	
33	1,213,631	110,231	0	1,323,862	0	1,323,862	

34	1,213,631	149,947	0	1,363,578	0	1,363,578
35	1,213,631	190,854	0	1,404,486	0	1,404,486
36	1,213,631	232,989	0	1,446,620	0	1,446,620
37	1,213,631	276,388	0	1,490,019	0	1,490,019
38	1,406,931	127,788	0	1,534,719	0	1,534,719
39	1,406,931	173,830	0	1,580,761	0	1,580,761
40	1,406,931	221,252	0	1,628,184	0	1,628,184
41	1,406,931	270,098	0	1,677,029	0	1,677,029
42	1,406,931	320,409	0	1,727,340	0	1,727,340
43	1,631,019	148,141	0	1,779,160	0	1,779,160
44	1,631,019	201,516	0	1,832,535	0	1,832,535
45	1,631,019	256,492	0	1,887,511	0	1,887,511
46	1,631,019	313,118	0	1,944,137	0	1,944,137
47	1,631,019	371,442	0	2,002,461	0	2,002,461
48	1,890,798	171,736	0	2,062,534	0	2,062,534
49	1,890,798	233,613	0	2,124,410	0	2,124,410
50	1,890,798	297,345	0	2,188,143	0	2,188,143

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	4,492,842
Sales Price @ 9% Cap Rate	49,920,468
Less: Cost of Sales @ 3%	(1,497,614)
Add: PV Rent Credits @ 9%	4,799,110
Less: Development Costs	(44,000,000)
Net Sales Proceeds	9,221,964
Port Participation @ 15%	**1,383,295**

Second Sale (Year 30)

Net Operating Income Year 31	6,405,719
Sales Price @ 9% Cap Rate	71,174,650
Less: Cost of Sales @ 3%	(2,135,240)
Less: Purchase Price	(49,920,468)
Net Sales Proceeds	19,118,943
Port Participation @ 15%	**2,867,841**

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE C

Assumptions:
Potential Office Sublease Rent Per Square Foot: $46.00
Potential Other Sublease Rent Per Square Foot: $31.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				$43,896,792	$3,399,018	$47,295,810	
Average Years 1-50				$877,936		$945,916	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	2,821	(452,821)	50,000	0	50,000	452,821
4	500,000	17,905	(467,905)	50,000	0	50,000	920,726
5	500,000	33,443	(483,443)	50,000	0	50,000	1,404,169
6	500,000	49,446	(499,446)	50,000	0	50,000	1,903,615
7	500,000	65,929	(515,929)	50,000	0	50,000	2,419,544
8	579,637	3,270	(532,907)	50,000	0	50,000	2,952,451
9	579,637	20,757	(550,394)	50,000	0	50,000	3,502,845
10	579,637	38,769	(568,406)	50,000	0	50,000	4,071,252
11	579,637	57,321	(586,958)	50,000	0	50,000	4,658,210
12	579,637	76,430	(606,067)	50,000	0	50,000	5,264,277
13	671,958	3,791	(625,749)	50,000	0	50,000	5,890,026
14	671,958	24,063	(646,022)	50,000	0	50,000	6,536,048
15	671,958	44,944	(666,902)	50,000	0	50,000	7,202,950
16	671,958	66,451	(688,409)	50,000	0	50,000	7,891,359
17	671,958	88,603	(710,562)	50,000	0	50,000	8,601,921
18	778,984	4,395	0	783,378	755,134	1,538,513	
19	778,984	27,896	0	806,880	0	806,880	
20	778,984	52,102	0	831,086	0	831,086	
21	778,984	77,035	0	856,019	0	856,019	
22	778,984	102,716	0	881,699	0	881,699	
23	903,056	5,095	0	908,150	0	908,150	
24	903,056	32,339	0	935,395	0	935,395	
25	903,056	60,401	0	963,457	0	963,457	
26	903,056	89,305	0	992,360	0	992,360	
27	903,056	119,076	0	1,022,131	0	1,022,131	
28	1,046,889	5,906	0	1,052,795	0	1,052,795	
29	1,046,889	37,490	0	1,084,379	0	1,084,379	
30	1,046,889	70,021	0	1,116,910	2,643,883	3,760,794	
31	1,046,889	103,529	0	1,150,418	0	1,150,418	
32	1,046,889	138,041	0	1,184,930	0	1,184,930	
33	1,213,631	6,847	0	1,220,478	0	1,220,478	

34	1,213,631	43,461	0	1,257,092	0	1,257,092
35	1,213,631	81,174	0	1,294,805	0	1,294,805
36	1,213,631	120,018	0	1,333,649	0	1,333,649
37	1,213,631	160,028	0	1,373,659	0	1,373,659
38	1,406,931	7,937	0	1,414,869	0	1,414,869
39	1,406,931	50,383	0	1,457,315	0	1,457,315
40	1,406,931	94,103	0	1,501,034	0	1,501,034
41	1,406,931	139,134	0	1,546,065	0	1,546,065
42	1,406,931	185,516	0	1,592,447	0	1,592,447
43	1,631,019	9,202	0	1,640,220	0	1,640,220
44	1,631,019	58,408	0	1,689,427	0	1,689,427
45	1,631,019	109,091	0	1,740,110	0	1,740,110
46	1,631,019	161,294	0	1,792,313	0	1,792,313
47	1,631,019	215,064	0	1,846,083	0	1,846,083
48	1,890,798	10,667	0	1,901,465	0	1,901,465
49	1,890,798	67,711	0	1,958,509	0	1,958,509
50	1,890,798	126,466	0	2,017,264	0	2,017,264

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	4,141,983
Sales Price @ 9% Cap Rate	46,022,031
Less: Cost of Sales @ 3%	(1,380,661)
Add: PV Rent Credits @ 9%	4,392,859
Less: Development Costs	(44,000,000)
Net Sales Proceeds	5,034,230
Port Participation @ 15%	**755,134**

Second Sale (Year 30)

Net Operating Income Year 31	5,905,477
Sales Price @ 9% Cap Rate	65,616,412
Less: Cost of Sales @ 3%	(1,968,492)
Less: Purchase Price	(46,022,031)
Net Sales Proceeds	17,625,889
Port Participation @ 15%	**2,643,883**

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DEVELOPMENT TEAMS AND PROPOSALS			
Development Entity:	**Embarcadero Waterfront Partners, LLC**	**San Francisco Waterfront Partners, LLC, joint venture**	**Watermark Partners LLC joint venture**
Developer:	Levin Menzies Kelly & Associates, LLC (Marvin Levin, Paul Menzies, Mike Kelly), Manager The Swig Company (Financial Partner) O'Connor Group/J.P. Morgan (Financial Partner)	Putnam Waterfront Partners, LLC, the Managing Member (Donald Putnam, Chairman; Simon Snellgrove, Managing Member, and President of Joint Venture; and Heather King-McPherson, overall financial responsibility) The Jefferson Company, the Development Manager (Todd Clayter) and Construction Manage Oversight (Kim Wilhelm) California State Teachers' Retirement System (CALSTRS)	Fidelity Partners, Inc., the Managing Member (Sanora Monteko, Joseph Sherman, Herve Vatinel, Perry Raanan) ING Realty Partners
Development Team:			
• Legal Counsel	Moscone, Emblidge & Quadra LLP: Christopher Moscone Crosby Heafy Roach & May: Eun Hee Chang (contracts) Baker & McKenzie: Tim Tosta (land use/planning)	Farella Braun & Martell: Mary Murphy	Reuben & Alter: Jim Reuben
• Architecture	Kwan Henmi Architecture/ Planning: Denis Henmi, Jeff Stahl	Richard Hannum & Associates: Richard Hannum, Janine Moss	Heller-Manus Architects: Clark Manus, Peter Zepponi
• Historic Preservation Architects	Page & Turnbull: John Turnbull, Frederic Knapp, John Alvarez II	Carey & Co. Inc: Alice Carey, Nancy Goldenberg	Architectural Resources Group: Bruce Judd
• Landscape Architect	Stevens & Assoc: Myles Stevens		
• Structural Engineers	Structus Consulting Engineers: Fu-Lien (Henry) Chang	Peter Culley & Associates: Peter Culley, John Hare	Telesis Engineers: Charles Thiel
• Pier Engineering Consultant			Hratch Kouyoumdjian & Associates: Michael O'Sullivan

• Mechanical & Electrical Engineers		Glumac & Assoc: Dick Glumac, Rick Thomas, Michael Suttie	
• Marine Consultants	Structus Consulting Engineers	Charles I. Rauw, Consulting Engineers: Charles Rauw	Power Engineering Contractors Inc: Ken Lindberg, David Mik
• Geotechnical Engineers			Treadwell & Rollo: Frank J. Rollo
• Public Affairs	Jane Winslow Consulting		Andrew Sun and Associates: Andrew Sun
• Environmental Planning			Environmental Science Associates: Karl Heisler
• Traffic Planning			Korve Engineering: Paul Menaker
• Interior Design	Kwan Henmi: Denis Henmi	Hirsch Bedner Associates: Michael Bedner	
• General Contractors	McCarthy Building Companies—Northern California Division: David Parkes, Michael Lipton, Frances Chew	S.J. Amoroso: Dana McManus, George Leonoff	DPR Construction Inc: Greg Hulbert, Scott Reay
• Interior Contractors		Fineline Group: John Santori	
• Permitting			A.R. Sanchez Corea & Associates: Tony Sanchez
• Leasing	CB Richard Ellis: Darin Bosch		Grubb & Ellis: John Jensen, Dan Cressman
• Management & Operations	Levin Menzies Kelly, & CB Richard Ellis: Darin Bosch	Putnam Waterfront Partners	
• Lead Negotiator	Mike Kelly	Simon Snellgrove	Joseph Sherman

The proposals are summarized in the following table. Note that the financial projections included in this table are based upon the proposals and other materials submitted by the respondents.

Development Entity	**Embarcadero Waterfront Partners, LLC**	**San Francisco Waterfront Partners, LLC, joint venture**	**Watermark Partners, LLC, joint venture**
Project Concept	General office uses, except for one 1,500 SF café, Hornblower ticket office, and 6,000 SF museum/non-profit or offices. Retain Piers 1½ -3-5 bulkhead buildings and Pier 1½ building; replace Pier 3 shed with 2-story building. Expanded Portwalk around Pier 1.5 and belvederes at Pier 5 beyond parameters in RFP.	General office uses, except for four food & beverage establishments of various types and sizes, totaling 10,930 SF, and Hornblower ticket office. Retain Piers 1½ - 3-5 bulkhead buildings and Pier 1½ building; add second floor to Pier 3 shed. Floating docks for berthing of excursion boats, recreational boats and water taxis, and for historic boat and ceremonial berthing.	General office uses, except 2,500 SF casual restaurant (or 5,000 SF upscale restaurant, and possibly one other food & beverage establishment), ticket office, and 3,000 SF maritime use. Retain Piers 1½ -3-5 bulkhead buildings and Pier 1½ building; replace Pier 3 shed with 3-story building. Two Scenarios: • Scenario One: Eliminate vehicular access through Pier 3 arch. and reroute

Development Entity	Embarcadero Waterfront Partners, LLC	San Francisco Waterfront Partners, LLC, joint venture	Watermark Partners, LLC, joint venture
		Expanded Portwalk and Bayside History Walk beyond parameters in RFP. Portwalk lowered and separated from existing pier edges.	around perimeter of Pier 3. Replace Pier 1½ building with 3-story building. • Scenario Two: Retain vehicular access through Pier 3 arch. Retain Pier 1½ building, but extend Pier 1½ bulkhead building over public access area. Berthing of historic boat on adjacent Hornblower leasehold. Portwalk modified from parameters in RFP.
Development Program:			
• Public Access Space (Excluding off-site Pier 7 plaza and any exclusive perimeter vehicular access space)	Exterior: 9,900 SF Interior: 6,600 SF Total: 16,500 SF	Exterior: 19,740 SF Interior: 9,467 SF Total: 29,207 SF	Exterior: 9,650/12,370 SF Interior: 0 / 4,320 SF Total: 9,650 / 16,690 SF (Scenario One/ Two)
• Total Commercial Space	68,501 Rentable SF	75,205 Rentable SF	103,800 Rentable SF (Scenario One)/ 91,140 Rentable SF (Scenario Two)
• Restaurants & Cafes	1,500 SF casual café	Four food & beverage establishments totaling 10,930 SF: • Popular-priced, 3-meal casual diner • Gourmet coffee shop/ maritime books and magazines. • Oyster bar • Upscale restaurant	2,500 SF casual restaurant (or 5,000 SF upscale restaurant) at Pier 5; plus 6,400 SF food & beverage establishment at Pier 1½ if commercially viable.
• Offices	59,402-65,402 SF (may include 6,000 SF of museum space)	63,612 SF	96,900 Rentable SF (Scenario One); 84,140 Rentable SF (Scenario 2)
• Museum	0-6,000 SF (may be offices)		
• Hornblower Ticket Office	1,599 SF	663 SF	1,400 SF (Scenario One)/ 1,500 SF (Scenario Two)
• Other Maritime Uses	Berthing and other uses compatible and in conjunction with Hornblower on Pier 3, to be developed in discussion with Port staff.	Historic boat & ceremonial berthing, and recreational boat, excursion boat, and water taxi berthing.	3,000 SF maritime office and support (Hawkes Ocean Technologies) and berthing of historic ship (Presidential Yacht Sequoia) on adjacent Hornblower leasehold.

Financial Proposal:			
• Initial Guaranteed Annual Base Rent	$550,000	$600,000	$600,000
• Base Rent Adjustments	Adjusted every 5 years by change in CPI	Increased every 5 years by increase in CPI, with 10% minimum and 20% maximum increases.	Adjusted annually by change in CPI, not to exceed 3%.
• Percentage Rent	20% of total rental revenue in excess of $3.8 M, less receipt by Port of any CPI adjustment to Base Rent.	15% of gross rental receipts less Base Rent, paid quarterly.	7.5% of gross rent net of Base Rent; 20% of gross rents in excess of $4.2 million
• Percentage Rent Adjustments	None indicated in proposal.	None	To be discussed during exclusive negotiations
• Rent During Construction	$550,000 per year	$316,000 to be added to Port's share of value of project, or paid to Port	$600,000 commencing on receipt of building permits
• Lease Term	50 years	50 years; would seek to negotiate option to extend to 66 years	50 years with 15 year renewal option
• Port's Participation in sale or refinancing proceeds	20% of all profits or excess sums after brokerage commissions and customary expenses of sale or refinance, including repayment of existing debt & equity.	Approximately 24.4% share in net proceeds from sale, transfer or refinancing in proportion to Port's share of total project costs, based upon: • Capitalizing minimum rent at 8%, plus • Total of Base Rent not paid to Port during construction ($316,000 per year), plus • Port's $2 Million substructure repair cost, plus • Port's share of historic tax credits If Port shares in refinancing proceeds, Port's ongoing percentage Rent is adjusted to reflect additional financing costs.	Not applicable—Watermark intends to hold for lease term
• Historic Tax Credits	50% rebated to Port	Port to participate as indicated above for participation in sale or refinance proceeds.	To be discussed during exclusive negotiations.

Projected Rent and Estimated Participation Income to Port:			
• Years 1-10 total rent to Port (Base Rent plus percentage rent)	$9,456,682 (museum) $10,395,430 (offices)	$8,725,512	$13,207,736 (Scenario One) $11,371,094 (Scenario Two)
• Estimated Potential Participation in Sale, Transfer or Refinance (Year 2011)	$4.2 Million (museum) $4.8 Million (office)	$6.8 Million	None proposed
• Participation in Historic Tax Credits	See above	See above	None proposed
Projected Project Costs:			
• Hard Costs (Including tenant improvement allowance and contingency; excluding Port substructure work)	$18.2 Million	$26.8 Million	$24.2 Million (Scenario One) $23.4 Million (Scenario Two)
• Soft Costs	$5.6 Million	$10.4 Million	$7.8 Million (Scenario One) $7.2 Million (Scenario Two)
• Total Development Costs	$23.8 Million	$37.2 Million	$32.0 Million $30.6 Million
Funding:			
• Historic Tax Credits	To be determined.		
• Mortgage Debt	70% ($15.5 million)	65% ($23.6 million)	65% ($21.0 million/ $20.1 million)
• Equity	30% ($6.7 million)	35% (12.7 million	35% ($11.3 million/ $10.8 million)
Schedule:			
• Start Construction	February 1, 2002	Mid 2001 (Pier 5); January 7, 2002 (Piers 1½-3)	May 17, 2001 (Sub-structure)
• Complete Construction	January 1, 2003	June 30, 2003	November 23, 2001 (Pier 5); August 8, 2002 (Pier 1.5)

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PORT OF SAN FRANCISCO
MEMORANDUM

DATE: June 9, 2003

TO: Harvey Rose
Budget Analyst

FROM: Kirk Bennett
Deputy Director Development Projects

SUBJECT: PIERS PROJECT
TRANSACTION STRUCTURE

This memorandum is in response to your request for an explanation of the basis for the transaction structure proposed for the Piers Project, and what other transaction structures were considered. This memorandum first outlines the fundamental alternative transaction structures used by the Port in structuring lease transactions for development projects on the property administered by the Port. With this context, it then explains the selection of transaction structure for the Piers Project.

ALTERNATE TRANSACTION STRUCTURES

The Port's leases for public/ private partnership development projects generally conform to one of the following three fundamental models:

A. Port Participation in Gross Business Receipts

B. Port Participation in Master Tenant Revenues with No Preferred Developer Return

C. Port Participation in Master Tenant Revenues with Preferred Developer Return

The application of these alternative transaction structures generally relate to the type, scale and inherent developer risk of the particular development project, and represent different approaches for balancing Port risks and rewards. All three of these models, which are discussed below, have the following characteristics in common:

1. The developer is required to invest significant capital, including correcting deferred maintenance and seismically upgrading the facility.

2. The leases are net to the Port with the developer being responsible for virtually all improvement, repairs and maintenance, and other operating expenses. The only exceptions are specific limited instances involving public plazas, pier substructure, dredging, site preparation, or soil remediation.

3. The Port receives a guaranteed income stream that is adjusted for inflation over the lease

term.

4. The Port participates in the financial success of the project through participation provisions.

5. The Port is protected from direct development, construction and operational risks of the project.

6. The developer is granted a long-term lease, typically 50-66 years.

A. Port Participation in Gross Business Receipts

This model applies to single public-serving businesses offered a long-term lease. Such leases are structured as either ground leases or ground plus improvements leases. The Port participates in the growth and success of the business by receiving percentage rent calculated upon the gross receipts of the business. These leases usually also provide for periodic adjustments of the rent (minimum an/or percentage rates), in addition to cost of living adjustments. Such adjustments are predicated upon the existence of an inventory of direct comparables (which there are for land and for restaurants). Such leases provide for Port participation in proceeds from sales of the leasehold only if such participation is customary leasing practice for the particular type of business.

This structure offers the Port with the opportunity to achieve the highest rewards, but is only applicable to single public-serving businesses; it is not applicable to multi-tenant projects. In this structure, however, the Port's revenues are directly linked to the business success of its tenant. The percentage rentals fluctuate reflecting the gross sales of the tenant's business, which can be volatile. It also exposes the Port to the financial problems of the tenant, with potential disruption of the Port's income stream from the property. This risk is reduced in the following models because the Port's income is based upon the sublease income of the Port's tenant from its subtenants. This sublease income is generated by a number of subleases with fixed terms, creating less volatility, and this sublease income would continue despite financial problems of the Port's tenant.

B. Participation in Master Tenant Revenues with No Preferred Developer Return

This model is usually applied to multi-tenant projects with predominantly a single type of user, such as offices or restaurants, but it can also be applied to mixed-use projects. This model can be applied to ground leases as well as leases for ground and improvments.

In this model, the Port receives participation rent calculated as a percent of the gross revenues of the master tenant, and thus the Port participates in the growth in the sublease rentals that are generated from subtenants of the project. Because each of these projects is unique – without direct comparables – there are not typically adjustments in the minimum or percentage rental rates other than cost of living increases to the minimum rent. In this model, the Port also shares in the reversion value of the project through participation in the net proceeds from sale (and for larger projects, refinancings) of the leasehold. Without a preferred return being granted to the developer, the Port's participations are simply calculated

as a fixed percent of the tenant's sublease income and as a fixed percent of the tenant's net proceeds from sales of the leasehold.

This approach increases the certainty of the Port's income stream from the project. While it is difficult to predict the amount and timing of participation in net sales proceeds, minimum and participation rentals are generally non-volatile and predictable. This approach represents the least on-going risk to the Port.

C. Port Participation in Master Tenant Revenues with Preferred Developer Return

This model applies to large, complex multi-tenant development projects, which involve a mixture of uses and which typically include existing improvements. In order to entice developers to make substantial capital investments in the face of the large risks inherent with such projects, the Port grants the developer a preferred return.

In this approach, the developer is given the opportunity to achieve a stipulated preferred return on its investment before the Port participates in the upside of the project. The Port participates in the growth of the sublease rentals that are generated by subtenants of the project through participation rent after achievement of the preferred return. These preferred returns are based upon the tenant's investment in the property, either the development costs of the original developer or the purchase price of the leasehold by subsequent purchasers of the leasehold. The participation rental rates are based upon gross revenues, net operating income, or net cash flow of the Port's tenant. Like for Model B, the Port also shares in the reversion value of the project through participation in the net proceeds from sale (and for larger projects, refinancings) of the leasehold. Because the Port's participation is less certain, the percentages used to calculate participation are typically higher than for Model B. Again, like for Model B, because each of these projects is unique – without direct comparables – there are not typically adjustments in the minimum or percentage rental rates other than cost of living increases to minimum rent.

The Port's income from participation beyond minimum rent is less certain than in the above models. Participation income -- both participation rent and participation in net sales proceeds – is volatile, and thus more difficult to predict. However, in that the participation percentages are higher to compensate the Port for its increased risk, the rewards can potentially be higher -- particularly if the project produces "home run" profits. As a result, this approach is appropriate either when it is necessary for the Port to assume more risk in order for the developer to be willing to undertake the development risks, or when the Port desires to assume more risk in return for a potentially higher participation.

<u>**PIERS PROJECT**</u>

It was decided during the preparation process for the Piers Project request for proposals ("RFP") that the lease proposals should conform to Model B. The Port's *Waterfront Land Use Plan* requires that a citizens advisory group must provide the Port with input during the preparation of requests for proposals for major development projects. In preparing the RFP, Port staff therefore held of series of public meetings in late 1999 with the Ferry Building

Waterfront Advisory Group to obtain input in creating the Development Concept and establishing the project objectives, including financial objectives. The financial objectives recommended by the Advisory Group included that the developer be required to pay guaranteed minimum rent, percentage rent calculated on the gross receipts of the project, and a share of net sales proceeds. Port staff prepared and reviewed with the Advisory Group project pro formas incorporating this approach which showed the project should be feasible.

The proposed objectives recommended by the Advisory Group and the proposed lease structure were reviewed with the Port Commission in seeking direction in preparing the RFP. The Port Commission supported a lease structure based upon Model B. Model A did not apply to the proposed project, and the Port Commission wanted to avoid a Model C approach with preferred returns. Because of the relatively small size of the proposed project and the expectation that it would primarily involve office uses, the Port Commission did not believe that they needed to offer preferred returns to the developer. In addition, because the leases for both the Ferry Building and Pier 1 involved preferred returns, the Port Commission believed that it was well positioned to realize any enhanced returns from future "hot" office markets. Moreover, the Port Commission did not want exposure to further risks in the Ferry Building Area from weak office markets, whose impact would be accentuated in a preferred return approach. Consequently, on February 8, 2000, the Port Commission authorized issuance of the RFP with requested lease terms that followed Model B. These requested lease terms were included in the RFP when it was issued on March 10, 2000.

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Items 2 and 3 - Files 03-1201 and 03-1111

Department: San Francisco County Transportation Authority

Items: File 03-1201: Motion adopting findings pursuant to the California Environmental Quality Act (CEQA) in connection with approval of a New Transportation Expenditure Plan and Sales Tax Reauthorization.

File 03-1111: Resolution approving a New Transportation Expenditure Plan and calling and providing for a special election to be held on November 4, 2003, to be consolidated with the General Municipal Election already scheduled for November 4, 2003, for the purpose of submitting to the voters an ordinance amending the Business and Tax Regulations Code of the City and County of San Francisco to (1) authorize a New Transportation Expenditure Plan and directing the one-half of one percent Sales Tax revenues to specific transportation improvements over the 30-year period from April 1, 2004 through March 31, 2034 and making provisions for the adoption of future expenditure plan updates; (2) continue collection of the Sales Tax, originating from Proposition B in 1989, at the existing level of one-half of one percent during implementation of the New Transportation Expenditure Plan and its updates; (3) continue in effect the San Francisco County Transportation Authority as the independent agency to administer the Sales Tax and oversee implementation of the projects; (4) authorize the San Francisco County Transportation Authority to issue Limited Tax Bonds[1] as needed, in a total outstanding aggregate amount not to exceed $1,880,000,000 and which would be payable from the revenue generated from the subject Sales Tax; (5) approve the annual Appropriations Limit of $485,175,000 for expenditures of the New Transportation Expenditure Plan by the San Francisco County Transportation Authority; (6) forbid the enjoining of collection of the tax; and (7) make City Departments who

[1] According to Ms. Tilly Chang from the San Francisco County Transportation Authority, Limited Tax Bonds are defined as bonds which are redeemed solely from the proceeds of a tax, such as the one half of one percent Sales Tax authorized under the Transportation Authority. These bonds are also referred to as Sales Tax Revenue Bonds or bonds, which are repaid solely from revenues generated from the one half of one percent Sales Tax.

receive Sales and Use Tax revenues collected for this purpose responsible for certifying that the Sales Tax revenues will not be substituted for Property Tax revenue for existing programs.

Description:

File 03-1111
Under existing law, the current Proposition B one-half of one percent Sales Tax revenues will expire on April 1, 2010 as required under the City's Business and Tax Regulation Code. The proposed resolution would approve the New Transportation Expenditure Plan and place an ordinance on the November 4, 2003 ballot which would, if approved by the San Francisco electorate, continue the existing one-half of one percent Sales Tax approved by voters as Proposition B at the November 7, 1989 election for the 30-year period from April 1, 2004 through March 31, 2034. The ordinance to be submitted to the voters would also authorize implementation of a New Transportation Expenditure Plan, which would set forth the projects to be funded over the next 30 years with revenues from the continuation of the one-half of one percent Sales Tax and supersede the existing Transportation Expenditure Plan adopted in 1989. Additionally, the San Francisco County Transportation Authority ("the Transportation Authority") would be continued as the agency responsible for allocating, administering, and overseeing the expenditure of revenues from the one-half of one percent Sales Tax and authorize the Transportation Authority to issue Limited Tax Bonds in a total outstanding aggregate amount not to exceed $1,880,000,000.

As explained in Attachment I, a memorandum from Ms. Tilly Chang of the Transportation Authority, the New Transportation Expenditure Plan includes funding for transportation and programs in four major categories: a) Transit (includes improvements to MUNI, BART Access, Caltrain, Light Rail, and Bus Rapid Transit), b) Paratransit (includes services for seniors and disabled persons), c) Streets and Traffic Safety (includes street resurfacing, bicycle and pedestrian improvements and d) Transportation System Management and Strategic Initiatives (includes transportation demand management, parking management,

and land use coordination). A summary allocation of the projected $2,820,000,000 in one-half of one percent Sales Tax revenues is provided below and is also included in Attachment I.

Expenditure Category	Maximum Anticipated Sales Tax Funding
Transit	$1,781,100,000
Paratransit	291,000,000
Streets and Traffic Safety	714,700,000
Transportation System Management and Strategic Initiatives	33,200,000
Total	**$2,820,000,000**

Attachment II, provided by Ms. Chang, is a summary of the proposed New Transportation Expenditure Plan of projects totaling $12,436,000,000, including $2,820,000,000 from the proposed Sales Tax Revenues as well as $9,616,000,000 of funds from other sources as described in Attachment III, provided by Ms. Chang.

File 03-1201
The proposed motion provides that the Transportation Authority will certify a Final Environmental Impact Report (EIR) on July 22, 2003 and adopt the Findings as required by the California Environmental Quality Act (CEQA) regarding the alternatives, mitigation measures, and significant environmental impacts analyzed in the Final Environmental Impact Report (EIR).

Comments:

1. While the current Proposition B one-half of one percent Sales Tax does not expire until April 1, 2010, according to Ms. Chang, there are a number of categories in the 1989 Transportation Expenditure Plan for which the one-half of one percent Sales Tax revenues will be insufficient based on estimated Sales Tax revenues through the expiration date of April 1, 2010. Additionally, some current funding needs were not foreseen in the 1989 Proposition B legislation and are not eligible for funding under the existing 1989 Transportation Expenditure Plan, according to Ms. Chang. Attachment IV, provided by Ms. Chang, includes a summary table of the existing 1989 Transportation Expenditure

Plan totaling $902,000,000. Additionally, Attachment I highlights the major differences between the original 1989 Transportation Expenditure Plan and the proposed New Transportation Expenditure Tax Plan.

2. Under the original 1989 Transportation Expenditure Plan, the Transportation Authority is authorized to issue Limited Tax Bonds (Sales Tax Revenue Bonds) up to $742,000,000. The proposed ordinance would increase the bond limit by $1,138,000,000 or 153.4 percent to $1,880,000,000. According to the State Public Utilities Code, the proposed ordinance to be submitted to the voters must specify the maximum bond indebtedness and that amount cannot exceed the estimated total collections of the one-half of one percent Sales Tax. Accordingly, the proposed $1,880,000,000 bond limit is $470,000,000 less than the Transportation Authority's most conservative estimate of one-half of one percent Sales Tax revenues to be realized over the 30-year period ending March 31, 2034 of $2,350,000,000. According to Ms. Chang, to date the Transportation Authority has administered the 1989 Transportation Expenditure Plan and one-half of one percent Sales Tax program on a "pay-as-you-go" basis and has not issued any Sales Tax Revenue Bonds. However, in the Transportation Authority's 2003 Strategic Plan, the Transportation Authority established that, in order to meet future cash flow obligations, it would likely need to issue such bonds starting in FY 2003-2004. Ms. Chang advises that under the proposed New Transportation Expenditure Plan, the Transportation Authority is anticipated to issue Sales Tax Revenue Bonds in the amount of approximately $145,000,000 beginning in May, 2004 with repayment through FY 2009-2010. Ms. Chang advises that a detailed accounting of the actual sequence of future bond issuances and debt service schedule will be established in late 2003. According to Ms. Chang, debt service would be repaid by the one-half of one percent Sales Tax revenue as well as revenue from investment income.

3. According to Ms. Chang, as of February 2003, $882,300,000 in 2003 dollars has been collected from the Proposition B one half of one-percent Sales Tax since April of 1990 when the program began. Additionally, Ms. Chang advises that for FY 2003-2004, the San Francisco Transportation Authority will realize an estimated $63,000,000 in Sales Tax revenue. Attachment I contains the Transportation Authority's range of Sales Tax revenue projections from a low estimate of $2,350,000,000 to a high estimate of $2,820,000,000 over a 30-year period from April 1, 2004 through March 31, 2034. According to Ms. Chang, the revenue projections are based on historical trends in one-half of one percent Sales Tax receipts in San Francisco and the Consumer Price Index, and are consistent with the projections used by the City and County of San Francisco and by the Metropolitan Transportation Commission.

4. According to Ms. Chang, a number of projects in the original 1989 Transportation Expenditure Plan will be carried forward under the proposed New Transportation Expenditure Plan. Attachment V, provided by Ms. Chang, contains a list of the projects and programs to be carried forward to the proposed New Transportation Expenditure Plan.

5. The proposed New Transportation Expenditure Tax Plan for San Francisco has been unanimously recommended by the Expenditure Plan Advisory Committee (EPAC) of the Transportation Authority. According to Ms. Chang, EPAC is a citizen's group comprised of community members, including representatives from the Transportation Authority's Citizen's Advisory Committee and Business Advisory Group as well as various community advocacy groups.[2] EPAC provides advice to the Transportation Authority Board on the composition of the New Transportation Expenditure Plan and formation of EPAC was approved on April 15, 2003 by the Transportation Authority Board. Attachment VI includes a list of the current 21 members and 7 alternates. In addition to EPAC approval, on July 11, 2003, the Planning and Operations Committee of the Metropolitan Transportation Commission

[2] EPAC includes 5 members from the Transportation Authority's Citizens Advisory Group (CAC) which were selected by CAC, 5 members from the Transportation Authority's Business Advisory Group who were appointed by the Transportation Authority Board, and 11 members-at-large who were also appointed by the Transportation Authority Board.

approved the proposed New Transportation Expenditure Plan.

Recommendation: Approval of the proposed legislation is a policy matter for the Board of Supervisors.

San Francisco County Transportation Authority
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Memorandum

Date: 07.09.03
To: Theresa Lo, Board of Supervisors Budget Analyst Office
From: Tilly Chang, Manager of Planning
Subject: New Expenditure Plan – Budget Analyst Questions

Please find below responses to Budget Analyst Office questions about the New Expenditure Plan from your email dated July 9, 2003:

1. a.)How are revenue projections estimated? b.) Up to this point, how much tax revenue has been collected? c.) Do you foresee any significant factors that may affect how much revenue will be collected in the future?

a.) In order to account for the uncertainties associated with long-range revenue projections, we prepared three revenue estimates of future sales tax revenues, reflecting low, medium and high growth scenarios. Each forecast utilizes a base-year revenue number and applies a real growth rate over a thirty-year period.

Estimate Scenario	Base-Year Revenue (Millions)	Average Annual Real Growth Rate	Projected Revenue (Millions)
Low (conservative)	$63	1.40%	$2,350
Medium (expected)	$67	1.65%	$2,626
High (optimistic)	$67	2.15%	$2,820

The Low estimate conservatively uses the anticipated FY 2003-04 sales tax revenue level of $63 million as a base (instead of the 10-year historical average which is a higher figure) and applies a real growth rate of 1.4%. This 1.4% growth rate is the historical average growth rate for the last ten years of Prop B sales tax receipts. The Medium estimate uses the historical average of the last ten years of Proposition B receipts ($67 million) as a base and applies an average growth rate of 1.65%, which is consistent with guidance from the Metropolitan Transportation Commission, based on historical state Transportation Development Act sales tax collections in San Francisco. The High estimate also uses the $67 million historical average of Proposition B receipts as a base, and applies a more optimistic growth rate of 2.15% per year.

b.) To date $873 million (in 2003$s) has been collected in Prop B sales tax since April 1990. We anticipate FY03-04 revenues to be $63 million.

c.) In general, we expect sales tax revenues to trend upward consistent with historical growth rates. One possible factor that could affect the amount of sales tax collections is the increase in population growth that could result if San Francisco adopts regional "smart growth" policies and associated plans.

2. Please provide a high-level budget for the New Expenditure Plan.

The Expenditure Plan includes funding for transportation projects and programs in the following four major categories, as follows:

Category	$Millions[1]	%[2]
Transit	1781.1	65.5
Paratransit	291	8.6
Streets and Traffic Safety	714.7	24.6
Transportation System Management/Strategic Initiatives	33.2	1.3
Total	2820	100%

[1]/ Numbers reflect total funding, including Priority 3 projects, totaling $2.82 billion.

[2]/ Percentages are based on the aggregate of Priority 1 and Priority 2 funding levels totaling $2.626 billion.

3. a.) Please explain the $1.88 billion limit on tax bonds issued by the SF County Transportation Authority. b.) Also, please explain further the California Constitution Article XIII B Appropriations Limit of $485 million as it affects the Countywide Transportation Plan.

a.) Regarding the bonding limit, Public Utilities Code Section 131108 requires that the "ballot proposition" include authorization to issue bonds to be paid "solely from the proceeds of the tax." (subdivision (a)). Subdivision (b) states that the ballot proposition must also state the "maximum bonded indebtedness" which may not exceed "the estimated proceeds of the tax, as determined by the plan." Accordingly the sales tax ordinance includes authorization to issue bonds in an amount not to exceed $1.8 billion, which is an amount lower than the conservative low estimate of sales tax proceeds over the 30 year period of the transportation expenditure plan. This is consistent with and required by the statutes. It is worth noting that, according to the statutes, as a special government, the Authority's bonding capacity is separate and distinct from that of the CCSF.

b.) Regarding the Gann Limit question, Article XIIIB, Section 4 provides for the establishment and amendment of an appropriations limit for agencies coming into existence after the adoption of the Constitutional amendment. At the time of its organization, the Authority established in the original sales tax ordinance an appropriations limit of approximately 21 percent of the total estimated amount of sales tax collections for the period of the original expenditure plan. The new sales tax ordinance fixes the appropriations limit at the same percentage of the new estimated sales tax revenues for the period of the new transportation expenditure plan, using the conservative revenue scenario. Under Article XIIIB, Section 4, the Authority can, with approval of the electors amend the amount of the appropriations limit from time to time. In light of the anticipated increase in sales tax revenues and activity by Authority under the new TEP, it was deemed advisable to increase the Gann Limit in this manner.

4. Because Proposition B does not sunset until 2010, please explain the timeliness of the proposed Reauthorization and New Expenditure Plan.

The current Prop B sales tax is in its 14th year of existence; It sunsets in 2010. However, there are a number of line items in the Prop B Expenditure Plan, such as Paratransit and Pedestrian Improvements that are running out of money. Some line items are already out of Prop B funds. In other cases there are only two more years of funding left in the program. The new Expenditure Plan also provides an opportunity to fund new activities or projects, such as traffic calming that were not foreseen in 1989,

when the Prop B was approved. The reauthorization drive comes at a time when we need to have available funds to match potential federal funds for a number of our projects that are seeking earmarks in TEA 3, the 6-year federal surface transportation bill, which is up for reauthorization by Congress in late 2003. No other major transportation initiatives are expected on the November 2003 ballot. By contrast, the March 2004 ballot will include the Perata bill (SB916) to raise bridge tolls to $3, and the November 2004 ballot will entail competition with the statewide bond initiative for High Speed Rail. The November 2003 ballot may very well be our best opportunity to obtain the required 2/3 vote on the sales tax measure.

5. Please explain any major differences between the current Expenditure Plan and the proposed New Expenditure Plan, particularly regarding revenues and expenditure allocations.

The New Expenditure Plan is based on extension of the existing ½ percent sales tax for transportation; likewise, the New Expenditure Plan maintains the four main categories of investment: Transit, Paratransit, Streets and Traffic Safety, and Transportation System Management (TSM)/Strategic Initiatives. The main differences between the New Expenditure Plan as compared with the current expenditure plan are:

- Increased funding for transit (from 60% to 65%) and slight increase for paratransit (8% to 8.6%)
- Inclusion of regional transit operators such as BART and Caltrain in recognition of the importance of connectivity of the local and regional transit systems.
- Significant increases in funding for bicycle and pedestrian improvements, and shifting of these subcategories from the TSM category to the Streets and Traffic Safety category.
- A slight decrease in funding for streets and traffic safety (from 30% to 25%) reflecting the increases in state funding for these purposes expected out of Prop 42 (direct subventions to the City).
- A slight decrease in the relative size of the TSM category (from 2% to 1.3%) accounted for by changes in the eligibility criteria for TSM and by the transfer of bicycle and pedestrian projects in the streets category.
- Creation of a new sub-category to fund traffic calming projects to respond to neighborhood concerns about traffic speeds and road user safety;
- Introduction of a new transit mode, Bus Rapid Transit, as part of a network-based approach to citywide transit investment, in order to improve the reliability and speed of surface transit service and enhance connectivity to local and regional rail transit.

SF Expenditure Plan Summary (DRAFT)

2003 $Millions

	Total Sales Tax	% of Sales Tax Funding[2]	Other Expected Funds	Total Expected Funding[1]
A. TRANSIT	**1,781.1**	65.5%	**8,163.2**	**9,944.3**
i. Major Capital Projects	**689.6**		**3,059**	**3,748.7**
a. MUNI	*361.0*		*1,041.0*	*1,402.0*
Bus Rapid Transit/MUNI Metro Network	110.0		490.0	600.0
3rd Street Light Rail (Phase 1)	70.0		30.0	100.0
Central Subway (3rd St. LRT Phase 2)	126.0		521.0	647.0
Geary LRT	55.0		-	55.0
b. Caltrain	*313.1*		1,827.9	*2,141.0*
Downtown Extension to a Rebuilt Transbay Terminal	270.0		1,615.0	1,885.0
Electrification	20.5		162.0	182.5
Capital Improvement Program	22.6		50.9	73.5
c. BART Station Access, Safety and Capacity	*10.5*		89.5	*100.0*
d. Ferry	*5.0*		100.7	*105.7*
ii. Transit Enhancements	**52.5**		**148.2**	**200.7**
iii System Maintenance and Renovation	**1,039.0**		**4,955.9**	**5,994.9**
a Vehicles	575.0		2,911.0	3,486.0
b Facilities	115.7		830.0	945.7
c Guideways	348.3		1,214.9	1,563.2
B. PARATRANSIT[3]	**291.0**	8.6%	**105.3**	**396.3**
C. STREETS AND TRAFFIC SAFETY	**714.7**	24.6%	**1318.3**	**2,033.0**
I Major Capital Projects	**117.5**		**422.2**	**539.7**
a. Golden Gate Bridge South Access (Doyle Drive)	90.0		330.0	420.0
b. New and Upgraded Streets	27.5		92.2	119.7
ii. System Operations, Efficiency and Safety	**60.6**		**94.9**	**155.5**
a. New Signals and Signs	41.0		14.5	55.5
b. Advanced Technology and Information Systems (SFgo)	19.6		80.4	100.0
iii. System Maintenance and Renovation	**281.6**		**605.9**	**887.5**
a. Signals and Signs	99.8		70.7	170.5
b. Street Resurfacing, Rehabilitation, and Maintenance	162.7		517.5	680.2
c Pedestrian and Bicycle Facility Maintenance	19.1		17.7	36.8
iv. Bicycle and Pedestrian Improvements	**255.0**		**195.3**	**450.3**
a Traffic Calming	70.0		72.0	142.0
b. Bicycle Circulation/Safety	56.0		21.6	77.6
c. Pedestrian Circulation/Safety	52.0		17.7	69.7
d. Curb Ramps	36.0		30.0	66.0
e. Tree Planting and Maintenance	41.0		54.0	95.0
D. TRANSPORTATION SYSTEM MANAGEMENT/STRATEGIC INITIATIVES	**33.2**	1.3%	**29.3**	**62.5**
i. Transportation Demand Management/Parking Management	13.2		15.7	28.9
ii. Transportation/Land Use Coordination	20.0		13.6	33.6
Total	**2,820**	**100%**	**9,616**	**12,436**
Total Sales Tax Priority 1 (conservative forecast)	2,350			
Total Sales Tax Priority 1 + 2 (medium forecast; most likely to materialize)	2,626			
Total Sales Tax Priority 1+2+3 (optimistic forecast)[4]	2,820			

Notes.

[1] Total Expected Funding represents project costs or implementable phases of multi-phase projects and programs based on a 30-year forecast of expected revenues from existing federal, state and local sources, plus $2.82 B in reauthorized sales tax revenues, $230 M from a BART General Obligation Bond, and approximately $199 M from the proposed 3rd dollar toll on the Bay Area state-owned toll bridges. The amounts in this column are provided in fulfillment of Sections 131051 (a)(1), (b) and (c) of the Public Utilities Code.

[2] Percentages are based on Sales Tax Priority 1 and 2 forecasts of $2.626 billion.

[3] With very limited exceptions, the funds included in the 30-year forecast of expected revenues are for capital projects rather than operations. Of all the funding sources that make up the $12.4 B in expected funding, paratransit operating support is only eligible for transportation sales tax revenues and up to 10% of MUNI's annual share of Federal Section 5307 funds (currently about $3.5 M annually). Therefore, total expected funding for Paratransit only reflects sales tax and Section 5307. The remaining paratransit operating costs for the next 30-years will be funded using other sources of operating funds, such as those currently included in MUNI's $460M annual operating budget.

[4] Priority 3 projects will only be funded if the revenues materialize under the optimistic scenario for sales tax revenues. They are also included in case Priority 1 or 2 projects realize costs savings, identify other unanticipated sources of funding, experience delays or are canceled

F Expenditure Plan Summary (DRAFT)
003 $Millions

	Other Expected Funds	Potential Sources of Other (i.e. not Prop X) Funding: Federal	State	Local
A TRANSIT	8,163.2			
1 Major Capital Projects	3,059.1			
a. MUNI	1,041 0			
Rapid Bus Network including Real Time Transit Information	490.0	5307, 5309, CMAQ, STP, New Rail Starts, TLC Capital,	RIP, TLC Planning	existing tolls, 3rd dollar toll, TIDP, Other-MUNI
3rd Street Light Rail (Phase 1)	30.0			3rd dollar toll
Central Subway (3rd St LRT Phase 2)	521.0	New Rail Starts	RIP	TIDP
Geary LRT	0.0			
b. Caltrain	1,827.9			
Downtown Extension to a Rebuilt Transbay Terminal	1,615.0	TEA21 Section 1601	ITIP[2], RIP	Land sales/tax increment/passenger facility charge; SM sales tax, 3rd dollar toll, existing tolls
Electrification	162.0		ITIP, RIP	TFCA (Carl Moyer)
Capital Improvement Program	50.9	CMAQ, STP	ITIP, RIP	
c. BART Station Access, Safety and Capacity	89.5	CMAQ, STP, TEA, TLC Capital, TLC Planning	RIP	TFCA, existing tolls, 3rd dollar toll, other-BART (G.O. Bond)
d. Ferry	100.7	5307, Ferry Discretionary		TFCA, RM1 (tolls), 3rd dollar toll,
2 Transit Enhancements	148.2	5307, 5309, CMAQ, STP, TEA, TLC Capital, Other	RIP, TLC Planning	TFCA, 3rd dollar toll, existing tolls, Other-BART, MUNI, private developer, etc.
3 System Maintenance and Renovation	4,955.9			
a Vehicles	2,911.0	5307, 5309, CMAQ, STP, TEA,	RIP	Other BART, MUNI
b Facilities	830.0	5307, 5309, CMAQ, STP, TEA,	ITIP, RIP, Other (e g seismic)	Other BART, MUNI
c Guideways	1,214 9	5307, 5309, CMAQ, STP, TEA,	RIP	Other BART, MUNI
B PARATRANSIT[1]	105.3	5307		
C STREETS AND TRAFFIC SAFETY	1,318 3			
1 Major Capital Projects	422 2			
a Doyle Drive	330 0	Public Lands Highways, TEA3 earmarks	ITIP, RIP, SHOPP, TCRP	
b *New and Upgraded Streets*	92.2	CMAQ, STP	ITIP, RIP	
39 2 System Operations, Efficiency and Safety	94 9			
a New Signals and Signs	14 5	CMAQ, STP	RIP, Other-State (e.g. HES)	TFCA
b. *Advanced Technology and Information Systems (SFgo)*	80 4	CMAQ, STP, Other Federal (ITS earmark)	RIP, Other-State (e g., ITS)	Other-Local
3 System Maintenance and Renovation	605.9			
a Signals and Signs	70 7	CMAQ, STP	RIP, SHOPP	TFCA
b. Street Resurfacing, Rehabilitation, and Maintenance	517.5	STP	RIP, SHOPP	Gas Tax (existing, AB2928, Prop 42)
c Pedestrian and Bicycle Facility Maintenance	17.7	CMAQ, STP, TEA, TLC Capital,	BTA, RIP, TDA Article 3, Other	TFCA, Other-BART
4 Bicycle and Pedestrian Improvements	195.3			
a Traffic Calming	72.0	CMAQ, STP, TEA, TLC Capital	RIP, TLC Planning, Other-State	Red Light Enforcement, TFCA, Other-DPT
b Bicycle Circulation/Safety	21 6	CMAQ, STP, TEA, TLC Capital,	BTA, RIP, TDA Article 3, Other	3rd dollar toll, TFCA, Other-BART
c Pedestrian Circulation/Safety	17.7	CMAQ, STP, TEA, TLC Capital,	RIP, TDA Article 3, Other	3rd dollar toll, TFCA, Other-BART
d Curb Ramps	30.0	STP	RIP, TDA Article 3	Other-(e g General Fund)
e Tree Planting and Maintenance	54 0			
D TRANSPORTATION SYSTEM MANAGEMENT/STRATEGIC INITI	29.3			
1 Transportation Demand Management/Parking Management	15.7	CMAQ, STP, TLC Capital	TLC Planning	TFCA
2 Transportation/Land Use Coordination	13 6	TEA, TLC Capital	TLC Planning	TFCA
Total Programmed (Includes Prop X Priority 1 + 2)	9616.1			
Total Expected Funding (Includes Prop X Priority 1)				
Total Programmed - Prop X Priority 2[3]				

Bold = Agreed by FPAC as of 5/27/03

Notes:

[1] Total Expected Funding represents project costs or implementable phases of multi phase projects and programs based on a 30-year forecast of expected revenues from existing federal, state and local sources, plus $2.82 B in reauthorized sales tax revenues, $230 M from a BART General Obligation Bond, and approximately $199 M from the proposed 3rd dollar toll on the Bay Area state-owned toll bridges. The amounts in this column are provided in fulfillment of Sections 131051 (a)(1), (b) and (c) of the Public Utilities Code.

2 Percentages are based on Sales Tax Priority 1 and 2 forecasts of $2.626 billion

[3] With very limited exceptions, the funds included in the 30-year forecast of expected revenues are for capital projects rather than operations. Of all the funding sources that make up the $12.4 B in expected funding, paratransit operating support is only eligible for transportation sales tax revenues and up to 10% of MUNI's annual share of Federal Section 5307 funds (currently about $3 5 M annually). Therefore, total expected funding for Paratransit only reflects sales tax and Section 5307. The remaining paratransit operating costs for the next 30-years will be funded using other sources of operating funds, such as those currently included in MUNI's $460M annual operating budget

4 Priority 3 projects will only be funded if the revenues materialize under the optimistic scenario for sales tax revenues. They are also included in case Priority 1 or 2 projects realize costs savings, identify other unanticipated sources of funding, experience delays or are canceled

7/17/03

1989 Transportation Expenditure Plan Summary

The following table summarizes the 1/2% sales tax revenue allocations by project category and subcategory in constant 1990 dollars, as approved by the voters in 1989.

Category	Allocation (1990 $)	
Transit	$ 541,000,000	60%
Subcategory		
Service Enhancements and Extensions	$ 141,000,000	
Major Corridor Studies and Construction	$ 200,000,000	
Rehabilitation and Replacement Projects	$ 200,000,000	
Streets and Traffic Safety	$ 271,000,000	30%
Street Resurfacing and Reconstruction	$ 142,000,000	
Traffic Signals and Signs	$ 67,000,000	
Major Capital Projects	$ 50,000,000	
Street Tree Program	$ 12,000,000	
Paratransit	$ 72,000,000	8%
Contract Van and Taxi Services	$ 72,000,000	
Transportation Systems Management (TSM)	$ 18,000,000	2%
Ridesharing and Transit Preference	$ 12,000,000	
Bicycle and Pedestrian Circulation	$ 6,000,000	
Total Sales Tax Revenue	$ 902,000,000	100%

New Expenditure Plan Grand-fathered Projects from 1989 Plan

The following is a summary of items from the current Prop B Expenditure Plan that have remaining commitments of sales tax funds (i.e., funds that have not yet been allocated) and would be grandfathered in the proposed Expenditure Plan.

1. 3rd Street Light Rail: Initial Operating Segment (last 2 years of construction only)
2. Central Subway Project
3. MUNI Rehabilitation and Maintenance: Vehicles and Facilities
4. Paratransit
5. Transit Preferential Street projects
6. MUNI Metro Turnback and MUNI Metro Extension incremental operations and maintenance
7. Street resurfacing
8. F-line incremental operations and maintenance (first 10 years)
9. Street Repair and Cleaning Equipment
10. New traffic signals/upgrades, lane markings, traffic control systems and equipment
11. Bernal Heights Street System Upgrade
12. Embarcadero Roadway incremental operations and maintenance (first 10 years)
13. Street Trees program
14. Transportation Demand Management activities
15. Bicycle circulation and safety projects
16. Downtown pedestrian improvements

Expenditure Plan Advisory Committee

Tom Radulovich, Chair	At-Large Member
Gwyneth Borden, Vice Chair	Business Advisory Group
Jim Bourgart	Business Advisory Group
Gabriel Metcalf	Business Advisory Group
Duane Papierniak	Business Advisory Group
Patricia Tolar	Business Advisory Group
Val Menotti	CAC Member
Jackie Sachs	CAC Member
Roger Peters	CAC Member
Wil Din	CAC Member
Art Michel	CAC Member
James Haas	At-Large Member
Jessie Lorenz	At-Large Member
Fran Martin	At-Large Member
Bruce M. Oka	At-Large Member
Luis Pardo	At-Large Member
Pi Ra	At-Large Member
Norman Rolfe	At-Large Member
Michael Smith	At-Large Member
Dave Snyder	At-Large Member
Andrew Sullivan	At-Large Member
Elizabeth Dunlap	CAC Alternate
Terry Micheau	CAC Alternate
Ben Tom	CAC Alternate
Michael Kiesling	At-Large Alternate
Dennis J. Oliver	At-Large Alternate
David Pilpel	At-Large Alternate
Brett Orlanski	At-Large Alternate

Item 4 - File 03-1169

Department: Airport

Item: Resolution approving a $2,160,000 Reimbursable Professional Services Agreement between the Airport and Siemens Dematic Group for the payment of Federal Funds to be administered by Siemens Dematic Group to the Airport for the installation of explosive detection systems for checked baggage and luggage at the Airport's two domestic terminals, Terminals 1 and 3, which are presently occupied.

Amount: $2,160,000

Source of Funds: Federal TSA funds, administered by Siemens Dematic Corporation

Description: The Federal government, on November 19, 2001, passed the Federal Aviation and Transportation Security Act (Public Law 107-71), which established the Transportation Security Administration (TSA). The Federal Aviation and Transportation Security Act required airports in the United States to install explosive detection systems prior to December 31, 2002.

Under the Federal Aviation and Transportation Security Act, the Transportation Security Administration (TSA) has contracted with the Boeing Corporation for the installation of explosive detection systems in U.S. airports. In turn, the Boeing Corporation has subcontracted with Siemens Dematic Corporation to reimburse airports for the related project costs. An explosive detection system has already been installed in the Airport's International Terminal at an estimated cost of $18,000,000 funded from Federal Aviation Administration (FAA) grant funds.

Although the proposed Reimbursable Professional Services Agreement is with Siemens Dematic Corporation, the actual construction management will be performed by Cabellon Associates, Inc. a contractor selected by the Airport (see Comment No. 1).

According to Mr. Ivan Satero of the Airport, the TSA has provided $990,000 out of the total subject funds of $2,160,000 for Phase I. These funds were used by the Airport to meet the Congressionally mandated deadline of December 31, 2002 for interim explosive detection systems[1] at the Airport's two presently occupied domestic terminals. TSA has agreed to provide the Airport with an additional $1,000,000 for Phase II, for total funding of $1,990,000 which is $170,000 less than the amount included in the proposed Agreement (see Comment No. 4). The Phase II monies represent the initial $1,000,000 Federal allocation to the Airport to install the permanent explosive detection systems at the Airport's domestic terminals.

Budget:

Attachment I contains a list of Airport invoices totaling $905,584 for Phase I costs including $722,234 for Cabellon Associates and $183,350 for Airport staff used for related construction management services. The remaining balance of the Phase I monies of $84,416 ($990,000 less $905,584) is expected to be expended on this project according to Mr. Reuben Halili of the Airport. Attachment II contains a budget for the Phase II allocation of $1,000,000 including $580,957 for Airport staff services, including design work, and $419,076 for Cabellon Associates (Attachment II budget is $33 in excess of $1,000,000).

Comments:

1. Mr. Satero advises that the Airport initially entered into a contract with Cabellon Associates, Inc. for the installation of the Airport's International Terminal explosive detection system for checked baggage and luggage, to provide for specialized expertise related to computer systems, baggage systems, and software. According to Mr. Satero, Cabellon Associates, Inc. was again selected on a sole source basis for the proposed project at a maximum cost of $1,881,000, based on their

[1] The Airport received Phase I funding in November of 2002. The U.S. Congress mandated airports in the United State to have an explosive detection system for baggage and luggage in place by December 31, 2002. As a result of receiving Phase I funds from the Federal TSA in November, 2002, the Airport had a relatively short time period to install the explosive detection systems for baggage and luggage. Therefore, the Airport installed the interim explosive detection systems for baggage and luggage to meet the Congressionally mandated deadline.

expertise and knowledge of explosive detection systems for checked baggage and luggage.

2. Attachment III, is a memorandum provided by Mr. Halili which contains additional information on the proposed agreement.

3. According to Mr. Satero, the Airport will be submitting to the Board of Supervisors a resolution requesting approval of a grant from the U.S. Transportation Security Administration (TSA) for Phase III funding in the amount of approximately $22,000,000, including construction, in addition to the Phase II allocation of $1,000,000 allocated under this proposed agreement to complete installation of the permanent explosive detection systems for checked baggage and luggage for the Airport's two occupied domestic terminals. The Budget Analyst will review that grant when it is submitted to the Board of Supervisors for approval.

4. As previously noted, the proposed Reimbursable Agreement is for $2,160,000, which is the amount designated in the proposed resolution. The amount of $2,160,000, is $170,000 more than the actual amount of $1,990,000 required by the Airport. Therefore, the proposed resolution should be amended to reflect a new Reimbursable Agreement in the amount of $1,990,000.

Recommendations:

1. In accordance with Comment No. 4, amend the proposed resolution to reflect the correct total Reimbursable Agreement amount of $1,990,000 instead of $2,160,000.

2. Approve the proposed resolution, as amended.

San Francisco International Airport
Domestic Terminals
100% Explosive Detection Systems
Summary of Invoices to Siemens Dematic Group

		Period	Amount
1	Amount Invoiced Prior Period	11/15/02 - 12/15/02	$71,482.96
2	Amount Invoiced Prior Period	12/16/02 - 12/31/02	$93,778.83
3	Amount Invoiced Prior Period	01/01/03 - 01/31/03	$137,679.65
4	Amount Invoiced Prior Period	02/01/03 - 02/28/03	$80,212.80
5	Amount Invoiced Prior Period	03/01/03 - 03/31/03	$83,563.66
6	Amount Invoiced Prior Period	04/01/03 - 04/31/03	$114,853.38
7	Amount Invoiced Prior Period	05/01/03 - 05/31/03	$145,580.38
8	Estimated Amount (Invoice in preparation)	06/01/03 - 06/31/03	$178,432.04
	Amount of Progress Payment Requested to Date		**$905,583.70**
	Amount Paid to Date (as of July 15, 2003)		$581,571.27
	Total Outstanding Payments		$324,012.43

ATTACHMENT A

Domestic 100% EDS
SFIA Staffing Cost
Phase II TSA Authorization

	Cost
Unpaid SFIA Design Costs	
February 2003 (Actual)	$97,845.31
March 2003 (Actual)	$30,097.67
April 2003 (Actual)	$17,810.67
May 2003 (Actual)	$21,811.61
Unpaid SFIA Design Costs Subtotal	**$167,565.26**

June 1, 2003 to October 31, 2003	Base Rate	Invoice Rate	Hours per week	Weeks	Cost
SFO Project Management					
Tom Rodrigues	$67.76	$142.30	40	22	$125,225.10
Reuben Halili	$60.93	$127.94	40	22	$112,589.40
Linda Smyth (BDC secretary)	$29.64	$62.24	8	22	$10,954.94
SFO Architecture					
Michael Varner	$51.19	$107.50	4	10	$4,299.96
Dirk Kellum	$35.51	$74.57	16	10	$11,931.36
SFO Civil/Structural Engineering					
Bong Wong	$47.83	$100.43	5	10	$5,021.63
Jean Metzinger	$31.59	$66.34	5	10	$3,316.95
Joe Ferrer	$47.83	$100.43	16	10	$16,069.20
Cherie Bautista	$34.83	$73.13	12	10	$8,775.90
Generoso Dizon	$29.08	$61.07	8	10	$4,885.44
SFO Electrical Engineering					
Joe Birrer	$55.35	$116.24	4	22	$10,228.68
Rudy Alegre	$34.83	$73.13	40	22	$64,356.60
Ron Wong	$29.08	$61.07	16	8	$7,816.70
SFO Mechanical Engineering					
Carl Farsai	$47.83	$100.43	8	10	$8,034.60
Ron Lwee	$29.08	$61.07	8	10	$4,885.44
SFO Inspection/Support- Allowance					$15,000.00
SFO SUBTOTAL					**$413,391.90**
Cabellon Associates					
Dominic Della Maggiora - PM Special Systems		$106.00	40	22	$93,280.00
Scott Ure - PM Baggage Systems		$105.00	40	22	$92,400.00
Dan Ulrich - InVision/RFID Manager		$116.00	40	22	$102,080.00
Marty Lucero - Site Superintendent #1		$77.00	40	22	$67,760.00
Sam Jain - Project Controls Engineer		$102.00	40	4	$16,320.00
Valerie Jordan - Documents Manager		$77.00	40	4	$12,320.00
Harb Ahluwalia - Electrical Coordinator		$116.00	8	22	$20,416.00
Other Direct Costs - Allowance					$14,500.00
CABELLON SUBTOTAL					**$419,076.00**
GRAND TOTAL (incl. Unpaid SFO design costs)					**$1,000,033.16**

7/16/03

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

Fax: (415) 252-0461

To: Bruce Robertson
Budget Analyst Office

From: Reuben Halili
San Francisco International Airport

Date: July 15, 2003

Project: File No. 03-1169
Reimbursable Agreement between Siemens Dematic Group and the San Francisco International Airport

This memo is being provided to clarify some information regarding the subject project as requested by the Budget Analyst Office.

Scope of Services

The Transportation Security Administration (TSA) has contracted with the Boeing Company and Siemens Dematic Group (Siemens) to implement explosive detection baggage inspection systems (EDS) throughout the nation's airports. With the Airport's experience and expertise in implementing EDS in the new International Terminal, Siemens and the Airport agreed to enter into a Reimbursable Agreement for SFO. Under this agreement, the Airport is providing project management and construction management services to implement EDS at the Airport's domestic terminals. Airport staff is providing project management services. The Airport has contracted with Cabellon Associates to provide construction management services. This was approved by the FAA, TSA, Airport Commission (Resolutions 02-0238 and 02-0240) and the San Francisco Civil Service Commission (CSC 4014-02/03).

Work Completed to Date

The Airport estimated the original Reimbursable Agreement amount to be $2,160,000 based on the TSA authorizing full funding for SFO under one authorization. The Airport received TSA and Airport Commission approvals based on that amount and even started preparing documents for Board of Supervisors approval.

The TSA subsequently decided to authorize funding for SFO domestic terminal EDS in three phases, not one.

In November 2002, the TSA authorized Phase I funding to Siemens to implement interim EDS systems by the Congressionally mandated December 31, 2002 deadline and for permanent EDS systems for United Airlines (Part 1), Continental Airlines and International South Recheck. Siemens authorized the Airport $990,000 for Phase I project management and construction management services. Siemens and the Airport immediately started work under Phase I, prior to Board of Supervisors approval because of the Congressionally mandated December 31, 2002 deadline to install EDS systems. As of May 31, 2003, the Airport has expended $727,151.66 ($183,350.69 for Airport staff and $543,800.97 for Cabellon Associates). The Airport invoices Siemens monthly and Siemens is paying the Airport within 30 days. We are currently preparing the June invoice.

In late December 2002 and before the Airport and Siemens executed an agreement for $2,160,000, the TSA and the Airport began negotiations for a direct funding agreement similar to a federal grant for Phase II and Phase III funding. As a result of this, the Airport stopped preparing documents for Board of Supervisors approval because the Airport and Siemens Reimbursable Agreement would be for $990,000, not the $2,160,000 as originally estimated.

Subsequently, in May 2003 the TSA/Airport negotiation fell through for Phase II funding. So in June 2003, the TSA authorized funding to Siemens for Phase II EDS. Phase II is to implement permanent EDS systems for United Airlines (Part 2), Delta Airlines, and Northwest Airlines. Siemens will be authorizing the Airport an additional $1 million for project management and construction management. So the current revised Reimbursable Agreement amount will now be $1,990,000 (not $990,000 or $2,160,000), which now requires Board of Supervisors approval.

Future Work

For Phase III (last phase), the TSA and the Airport will be entering into a federal grant agreement. This will be presented to the Board of Supervisors as a separate project.

If you need additional information please call me at (650) 821-7803.

Cc: Ivar Satero
Tom Rodrigues
BDC File 8167 – 7.4 x/linda/halili/siemens Budget Analyst Memo1.doc

Item 5 - File 03-1195

Department: Sheriff's Department
Department of Human Resources

Item: Ordinance adopting and implementing the Memorandum of Understanding (MOU) between the City and County of San Francisco and the Municipal Executives' Association regarding the amendment of the contract with the Public Employees' Retirement System to provide the County's Sheriffs, including the Undersheriff and the Assistant Sheriff, with the retirement benefits known as 3 percent at 55.

Description: On July 16, 2003, the Finance and Audits Committee recommended approval of an ordinance authorizing the City to enter into a contract amendment with the California Public Employees Retirement System (PERS) (File 03-1115). Under that ordinance, the Deputy Sheriffs, the Assistant Sheriff, the Undersheriff, and the Sheriff would be eligible to receive retirement benefits at age 55 equal to 3 percent of the highest compensation in a single year, times the number of years of service up to a maximum of 30 years of service. Additionally, the Finance and Audits Committee recommended approval of an ordinance that would approve a Memorandum of Understanding (MOU) between the City and the Deputy Sheriffs' Association regarding implementation of the proposed increased PERS retirement benefits for Deputy Sheriffs (File 03-1102). Under that ordinance, the Deputy Sheriffs' Association agrees that it has a continuing obligation to meet and confer with the City to implement a cost sharing agreement for the increased costs to the City of amending the PERS contract.

The proposed ordinance (File 03-1195) would approve an MOU between the City and the Municipal Executives' Association regarding the implementation of the proposed increased PERS retirement benefits for the two positions of Undersheriff and the Assistant Sheriff who are represented by the Municipal Executives' Association. According to Ms. Linda Ross of the City Attorney's Office, the proposed MOU states that Municipal Executives' Association agrees that it has a continuing obligation to meet and confer with the City

to implement a cost sharing agreement for the increased costs to the City of amending the PERS contract as was required under the previous ordinance (File 03-1102) concerning the MOU with the Deputy Sheriff's Association. Ms. Ross advises that the proposed MOU also states that the Municipal Executives' Association has met its obligation to share in the increased cost of the proposed PERS contract amendment in FY 2003-2004, but not beyond this fiscal year. After FY 2003-2004, the MOU states that the parties will meet and confer again to negotiate cost sharing terms for FY 2004-2005 and thereafter.

Ms. Ross advises that such cost sharing is provided in the Collective Bargaining Agreement between the Municipal Executives' Association and the City, which was approved by the Board of Supervisors on May 20, 2003 and is effective from July 1, 2003 through June 30, 2005. Under the Collective Bargaining Agreement, the Municipal Executives' Association (MEA) has agreed to have the employees, rather than the City, pay the employees' share of the retirement contributions in FY 2003-2004 in an amount equal to 7.5 percent of salary for the first-year of the two-year term of the Collective Bargaining Agreement. Also, under that Collective Bargaining Agreement between the MEA and the City, the Municipal Executives' Association agreed that, in FY 2003-2004, the Undersheriff and the Assistant Sheriff will not receive the five floating holidays which was provided in the Collective Bargaining Agreements with most of the City's other employee organizations in compensation for paying their own retirement contribution in FY 2003-2004.

Fiscal Impact: As previously reported (Files 03-1102 and 03-1115), according to the cost analysis provided by PERS, under the proposed PERS contract amendment, the City's employer contribution rate for the Sheriff, the Undersheriff, the Assistant Sheriff, and Deputy Sheriffs will increase by 3.781 percentage points, from 6.431 percent of salary for FY 2002-2003 to 10.212 percent of salary in FY 2003-2004. According to Ms. Michelle Allersma of the Controller's Office, under the City's contract with PERS, the City's contribution for all City safety classifications who are members of PERS, which include Juvenile and Adult Probation Officers, District Attorney's Investigators, and Institutional Police, will

increase, although only the Sheriff, the Undersheriff, the Assistant Sheriff, and the Deputy Sheriffs will receive the enhanced retirement benefit known as 3 percent at 55. Ms. Allersma advises that the total amount budgeted in FY 2003-2004 for all safety classifications who are members of PERS as a result of the proposed retirement benefit enhancement for the Sheriff, the Undersheriff, the Assistant Sheriff, and the Deputy Sheriffs will be approximately $2,410,000, which includes $1,833,816 in the Sheriff's Department's budget, plus $576,184 in the Adult Probation, Juvenile Probation and District Attorney's FY 2003-2004 budgets.

Recommendation: Approve the proposed ordinance.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

[All Committees]
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City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, July 30, 2003 | **12:30 PM** | **Legislative Chamber - Second Floor**

Regular Meeting - REVISED

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7/30/03

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

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MEETING CONVENED

The meeting convened at 12:37 p.m.

REGULAR AGENDA

030848 **[General Assistance-In-kind Assistance]**

Supervisors Newsom, Dufty, Sandoval, McGoldrick, Peskin

Ordinance modifying the City's General Assistance (GA) Program by amending San Francisco Administrative Code Sec. 20.57 to reflect the current grant amount; amending Administrative Code Sec. 20.59.3 to provide in-kind housing, utilities and meals to homeless applicants and recipients; amending Administrative Code Sec. 20.57.1 to value housing, utilities and meals provided to homeless recipients as in-kind assistance; adding Administrative Code Sec. 20.57.6A. to provide a special needs allowance to homeless recipients; adding Administrative Code Sec. 20.60.12 to establish a baseline GA budget; adding Administrative Code Sec. 20.60.13 to require a Controller's evaluation; adding Administrative Code Sec. 20.60.14 to establish an operative date for these amendments of on or before July 1, 2003.

5/13/03, RECEIVED AND ASSIGNED to Rules Committee.

6/16/03, CONTINUED. Heard in Committee Speakers: Harvey Rose, Budget Analyst's Office; Deborah Newman, Budget Analyst's Office; Cathy Garza, Legislative Aide to Supervisor Newsom; Christine Martin, Budget Analyst's Office; Supervisor Chris Daly; Trent Rohrer, Executive Director, Department of Human Services; Dariush Kayhan, Director of Housing and Homeless Programs, Department of Human Services; Supervisor Gavin Newsom; Jennifer Friedenbach, Coalition on Homelessness; Chad Smarten, Coalition on Homelessness; Tony Grin, Coalition on Homelessness; Sam Sinh, SRO Operator.

Continued to June 23, 2003, 2:00 p.m.

6/23/03, MEETING RECESSED. Heard in committee. Speakers: Edward Evan; Ronald Rich; Jennifer Friedenbach; Brian Cahill; Delbert Scott; David Villalobos; Yolanda Warren; Adam Koeppel; Aaron Keyak; Michael McMahan; Amos Brown; Glenda Hope; Taliana Costanian; Garth Ferguson; Micah Allen-Conway; Bruce Allison; O.J. Leonardo; Yolanda Catzalco; Linda Richardson; Carl Kramer; Paul Lubin; Michael Froelich; John McKutchin; Earl Gilman; Ron Rucker; Don Langley; Steven Chester; Judy Langley; Jason Henson; John Getzo; Ellis Wilson; Antoinette Silver; Tony Grey; Richard Morehead; Tommy Mecca; Brenda Ryan; Eduardo Palomo; Renee Sauceedo; Diannonco Salia; Bianca Henry; Julio; Ricardo Aguello; Joe Pocora; Miguel Carrera; Kim Balledas; Judy Gerkowitz; Allison Lum; Andre Topegan; Ernestine Weiss; Nathan Nayman; Steve Williams; Warren Lopresto; Bob Starzell; Female Speaker; Jolena Lockley; Mark Stoner; Joseph Bolden; Gustavo Serina; Jason Negron Gonzalez; Lafayette Ricks; Carolyn Devine; Linda Corso; Diana Scott; Stephane Softwick; John Bergman; Andre Rucker; Antonio Lion; Julie Browne; John Hutar; Arnald Townsend; Donald Mark; Linden Bader; Michael Africa; David Leedy; Marissa Franco; Diarwend Philpott; Luther Richert; Patricia Breslin; Shelly Roder; Pat Burns; Joe Halaiko; John Moylan; Bob Paterson; Lynn Shaingei; Tom McDonagh; Paul Boden; Lotus Yee Fong; Jack Hanna; Lucia Paulazzo; Lily Subias; Ace Tafoya; Mother Brown; Hans Buehlmann; Eric Shanabarger; David Parker; Robert Tait; Eric Allen; Stan Edwards; Cato; John Luce; Steve Anthony; Starr Davies; Al Lopez; Abdullah Meghaed; Raymond Hall; James Tracey; Ave Seltsam; Randall Kalal; Lori Regis; Marti Borrego; James Collins; David Lopez; Ginger Martin; John Bitterman; Frank Kelly; Chris Bowman; Susanna Gilbertson; Bill Bowen; Cathleen Gonzales; Amalia Alvarez; Gordon Reynolds; Linda Chapman; Leslie Tras; Rachel McLean, Steve Auten; Lance Gurrie; David Grace; Matthew Zibilich; John Kesinski; Rennon; Hilary Timer; Delphine Brody.
Recessed to June 24, 2003 at 10:00 am.

6/24/03, REFERRED WITHOUT RECOMMENDATION. Heard in committee. Speakers: Supervisor Newsom; Supevisor Daly.

7/8/03, CONTINUED. Continued to July 15, 2003

7/15/03, REFERRED to Finance and Audits Committee. Supervisor Newsom, seconded by Supervisor Dufty, moved an amendment of the whole. Supervisor Newsom withdrew his motion to amend the item.

Supervisor Newsom, seconded by Supervisor Dufty, requested that this matter be referred to Committee.

President Gonzalez referred this matter to Finance and Audits Comittee.

Heard in Committee. Speakers: Supervisor Newsom; Supervisor Hall, Tom Owen, Deputy City Attorney; Debra Newman, Budget Analyst's Office; Trent Rhorer, Department of Human Services; Tony Gring, COH; Jason Negon Gonzalez, Regina Douglas, Julie Browne; Cindy Pierre Louis; Paul Wallace; Travis; Nora Calderon, POWER; Steven Chester, COH; Jack Hanna, Homeless Coalition; Ernestine Weiss; Renee Saucedo, Day Labor Program; Jaime Martinez, POWER; Bruce Allison, Living Wage; Anthony Faber; Nathan Nayman; Teresa Molina, Larry Lattimore, POWER; Randy Mahan, COH; Dave Campbell; James Carroll; Zachariah James Frangoulis; Andre Rucker; Dee Allen, POWER; Delphine Brody, COH; Karen Gruneisen, Homebase; Shelly Roder, St. Boniface Neighborhood Center; Moe Wright; Allison Lum; Female Speaker; L.S. Wilson, COH; Carl Ferguson, POWER; Jennifer Friedenbach, COH; Mary Kate Conner; Female Speaker; Mara Raider, COH; James Tracy, COH; Edmond Edmonds, POWER; Frank Carey; Jack Adam; Ed Harrington, Controller; Ted Lakey, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031237 **[Implement Regulations for Section 17001.51 of the California Welfare and Institutions Code and Residency Requirements]**

Supervisors Hall, Newsom

Resolution urging the Department of Human Services to implement regulations for Section 17001.51 of the California Welfare and Institutions Code, which allows for the screening of alcohol and substance abuse, urging the Department to implement regulations strengthening the residency requirements for GA, CALM, PAES, and SSIP recipients, and urging the Department to hold hearings with the Human Services Commission before implementing these new regulations.

7/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Trent Rhorer, Department of Human Services; Delphine Brody; Jack Adam; Jennifer Friedenbach, COH.

Supervisor Newsom requested to be added as a co-sponsor.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031238 **[Establishing a Department of Human Services Care Fund]**

Supervisor Hall

Draft ordinance amending the San Francisco Administrative Code by adding Section 10.100-77, to establish a Department of Human Services Care Fund, appropriating funds to the Fund, making it City policy to appropriate funds in the future, limiting the uses of the Fund, and providing for appropriations from the Fund in excess of a set cap.

(Fiscal impact.)

7/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Supervisor Newsom; Supervisor Hall, Tom Owen, Deputy City Attorney; Debra Newman, Budget Analyst's Office; Trent Rhorer, Department of Human Services; Tony Gring, COH; Jason Negon Gonzalez, Regina Douglas, Julie Browne; Cindy Pierre Louis; Paul Wallace; Travis; Nora Calderon, POWER; Steven Chester, COH; Jack Hanna, Homeless Coalition; Ernestine Weiss; Renee Saucedo, Day Labor Program; Jaime Martinez, POWER; Bruce Allison, Living Wage; Anthony Faber; Nathan Nayman; Teresa Molina, Larry Lattimore, POWER; Randy Mahan, COH; Dave Campbell; James Carroll; Zachariah James Frangoulis; Andre Rucker; Dee Allen, POWER; Delphine Brody, COH; Karen Gruneisen, Homebase; Shelly Roder, St. Boniface Neighborhood Center; Moe Wright; Allison Lum; Female Speaker; L.S. Wilson, COH; Carl Ferguson, POWER; Jennifer Friedenbach, COH; Mary Kate Conner; Female Speaker; Mara Raider, COH; James Tracy, COH; Edmond Edmonds, POWER; Frank Carey; Jack Adam; Ed Harrington, Controller; Ted Lakey, Deputy City Attorney.

Supervisors Newsom and Peskin requested to be added as a co-sponsors.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending the San Francisco Administrative Code by adding Section 10.100-77, to establish a Department of Human Services Care Fund, defining terms, identifying revenues, restricting permissible uses, providing for verification and adjustment of appropriations, and limiting expenditures in excess of the fund cap.

(Fiscal impact.)

7/30/03 Amendment of the Whole further amended in Committee.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031361 **[General Assistance-In-Kind Assistance; Department of Human Services Care Fund]**

Supervisor Hall

Ordinance modifying the City's General Assistance (GA) Program by amending San Francisco Administrative Code Sec. 20.57 to reflect the current grant amount; amending Administrative Code Sec. 20.59.3 to provide in-kind housing, utilities and meals to homeless applicants and recipients; amending Administrative Code Sec. 20.57.1 to value housing, utilities and meals provided to homeless recipients as in-kind assistance; adding Administrative Code Sec. 20.57.6A. to provide a special needs allowance to homeless recipients; adding Administrative Code Sec. 20.60.12 to establish a baseline GA budget; adding Administrative Code Sec. 20.60.13 to require a Controller's evaluation; adding Administrative Code Sec. 20.60.14 to establish an operative date for these amendments of on or before July 1, 2003; and amending the San Francisco Administrative Code by adding Section 10.100-77, to establish a Department of Human Services Care Fund, defining terms, identifying revenues, restricting permissible uses, providing for verification and adjustment of appropriations, and limiting expenditures in excess of the fund cap.

Supervisor McGoldrick dissenting.

See File Nos. 030848 and 031238.

PREPARED IN COMMITTEE AS AN ORDINANCE.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 2 - Peskin, Sandoval
Noes: 1 - McGoldrick

031240 **[Establishing Cash for Care Special Account]**

Supervisor McGoldrick

Ordinance amending Section 10.100 of the San Francisco Administrative Code to establish the Cash for Care Special Account to receive, administer and fund programs for the homeless of San Francisco.

(Fiscal impact.)

7/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Richard Robinson, CATS; Harvey Rose, Budget Analyst; Jill Lerner, Department of Administrative Services.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031241 **[Expanding Eligibility to Participate in Annual Joint Fundraising Drive]**

Supervisor McGoldrick

Ordinance amending Section 16.93-2 of the San Francisco Administrative Code to allow the Cash for Care Special Account to participate in the annual joint fundraising drive.

7/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Richard Robinson, CATS; Harvey Rose, Budget Analyst; Jill Lerner, Department of Administrative Services.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030743 **[Lease, Parking Agreement and Negative Declaration for Piers 1½, 3 and 5]**

Supervisor Peskin

Resolution approving and authorizing a 66-year Lease with San Francisco Waterfront Partners, LLC for Piers 1½, 3 and 5, Approving Related Parking Agreement, and Adopting Findings of Mitigated Negative Declaration pursuant to California Environmental Quality Act.

(Public Benefit Recipient.)

4/29/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

7/23/03, CONTINUED. Heard in Committee. Speakers: Douglas Wong, Byron Rhett, Jennifer Sobol, Port of San Francisco; Neil Sekhri, Deputy City Attorney; Ernestine Weiss; Charles Chase, SF Architectural Heritage; Simon Snellgrove, San Francisco Waterfront Partners; Harvey Rose, Budget Analyst
Continued to 7/30/03.

Speakers: None.
Continued to 8/5/03.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030890 **[Lease Agreement with Imperial Parking]**

Resolution approving lease agreement with Imperial Parking (U.S.), and the City and County of San Francisco operating by and through the San Francisco Port Commission to operate a surface parking lot at Seawall Lot 330, Embarcadero between Bryant and Beale Streets. (Port)

(No Public Benefit Recipient.)

5/14/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

7/9/03, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Elliott Riley and Jeff Brown, Port of San Francisco.

Heard in Committee. Speaker: Elliott Riley, Port of San Francisco.
Continued to 8/5/03.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031264 **[Release of Reserved Funds, Department of Elections]**

Hearing to consider release of reserved funds, Department of Elections, (File 030845: Ordinance No. 169-03), in the amount of $250,000 for funding outreach for ranked-choice voting for the November 4, 2003 election. (Elections Department)

7/24/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Department requests this item be scheduled for consideration at the July 30, 2003 meeting.

Speakers: None.
Continued to 8/5/03.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031170 **[Airport Lease with U.S. Government for office space]**

Resolution approving a Lease with the U.S. Government for office space to be occupied by the Transportation Security Administration at the International Terminal. (Airport Commission)

(Public Benefit Recipient.)

6/27/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Speakers: None.

7/30/03 Amend the title on page 1 line 3, after "approving" add ", retroactive to November 1, 2002," and at line 21 after "approves" add "retroactive to November 1, 2002,".

AMENDED.

Resolution approving, retroactive to November 1, 2002, a Lease with the U.S. Government for office space to be occupied by the Transportation Security Administration at the International Terminal. (Airport Commission)

(Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031245 **[Amendment No. 1 to 2003-2005 MOU, Cement Masons, Local 580]**

Mayor

Ordinance adopting and implementing Amendment No. 1 to the 2003-2005 Memorandum of Understanding between the Cement Masons, Local 580 and the City and County of San Francisco by amending Article III.O. to correct a clerical omission by inserting a Long-Term Disability provision. (Mayor)

7/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Speakers: None.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 4:21 p.m.

[Budget Analyst Report]
Susan Hom
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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

F
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3
/30/03

July 24, 2003

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TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: July 30, 2003 Finance and Audits Committee Meeting

Item 1 - File 03-0848

Department: Department of Human Services (DHS)

Item: Ordinance modifying the City's General Assistance (GA) Program by amending the San Francisco Administrative Code Section 20.57 to reflect the current grant amount; amending Section 20.59.3 to provide in-kind housing, utilities and meals to homeless applicants and recipients; amending Section 20.57.1 to value housing utilities and meals provided to homeless recipients as in-kind assistance; adding Section 20.57.6A to provide a special needs allowance to homeless recipients; adding Section 20.60.12 to establish a baseline GA budget; adding Section 20.60.13 to require a Controller's evaluation; adding Section 20.60.14 to establish an operative date for these amendments of on or before July 1, 2003.

Description: Proposition N, an initiative petition which was approved by San Francisco voters in November of 2002, requires the City and County (City) of San Francisco to provide housing, utilities and meals to all homeless adults eligible to receive cash assistance payments from the City and to reduce the cash assistance received by such adults by the value of the housing, utilities and meals made available. In accordance with the provisions of Proposition N, cash

payments to homeless individuals would be reduced from a maximum of $320 or $395 per month, depending on the cash assistance program in which the individual is enrolled, to a maximum of $59 per month. Proposition N addresses homeless indigent adults who receive such cash payments through four adult assistance programs provided by the Department of Human Services, including (1) Personal Assisted Employment Services (PAES), (2) Cash Assistance Linked to Medi-Cal (CALM), (3) Supplemental Security Income Pending (SSIP) and (4) General Assistance (GA).

On May 8, 2003, the San Francisco Superior Court invalidated the sections in Proposition N that apply to the General Assistance program. The Court ruled that under State law, the Board of Supervisors, and not San Francisco voters, have the exclusive authority to set the standards for care and relief for General Assistance recipients. Proposition N's application to the other three adult assistance programs remain in effect.

The proposed ordinance would reinstate the provisions contained in Proposition N that relate to the General Assistance program, which were invalidated by the Superior Court.

The proposed ordinance would amend the City's Administrative Code to reflect the current monthly payments (See Comment No. 1) under the County's General Assistance Program, as shown below:

Number of Eligible Persons in Same Family	Current Monthly Payment
Single Individual	$320
2 persons	574
3 persons	647
4 persons	771
5 persons	877
6 persons	984
7 persons	1,081
8 persons	1,179
9 persons	1,273
10 persons	1,367

In the case of more than ten persons in a family unit, an additional $14 each month is paid for each additional person in the family unit.

Although the above chart provides a monthly payment schedule for up to ten or more persons, Mr. Phil Arnold of the Department of Human Services advises that almost all of the recipients of General Assistance (GA) in San Francisco are single individuals who currently receive $320 per month in cash payments.

Under the proposed ordinance, self-declared homeless applicants, or applicants who are unable to provide verifiable rent documentation would receive in-kind benefits for housing, utilities and meals. The value of such in-kind benefits for housing, utilities and meals would then be deducted from an individual's monthly General Assistance cash payment. If such in-kind benefits are not available, the applicant or recipient would continue to receive the monthly cash payment that is equivalent to the in-kind value of the housing, utilities and meals, that are not available. As shown in the Attachment provided by the Department of Human Services, the State Income-in-Kind-Chart values in-kind housing, utilities and food at a total of $336 per month for one person ($191 per month for housing, $40 per month for utilities and $105 per month for food).

Therefore, the General Assistance monthly payment for an individual which is currently $320 per month, is $16 less than the estimated value of $336 for the in-kind housing, utilities and food that would be provided. As a result, the proposed ordinance provides "special allowances" to recipients of up to $59 per month, even if the in-kind value of the housing, utilities and food exceeds the maximum monthly cash grant for which a recipient would otherwise be eligible to receive.

The proposed ordinance would also establish the FY 2002-2003 Department of Human Services (DHS) appropriations for cash assistance as the baseline level for future year appropriations that must be provided for in-kind housing and related services for homeless adults

without dependents. The ordinance states that such appropriations may be used to support, but would not be limited to hotel master lease programs, permanent supportive housing, improvement of the conditions in existing shelters, expansion of shelter capacity, mental health and substance abuse treatment, outreach, a fund for rental deposits, Supplemental Security Income (SSI) advocacy programs, rep-payee (two party check system) services, case management and meals for the homeless adult population through direct services and/or contracts. DHS estimates that approximately $13,904,979 of cash assistance for homeless adults was appropriated in FY 2002-2003.

The proposed ordinance defines housing as including, but not limited to single occupancy residential hotels, master lease rooms, transitional housing, supportive housing programs, residential treatment facilities and shelter. The proposed ordinance states that failure to comply with the rules of a housing program that results in the ejection of a recipient from that housing program would be considered failure to satisfy the requirements for continuing eligibility and result in discontinuance from the County's General Assistance Program. The proposed ordinance also provides that any in-kind aid would be evaluated by the Office of the Controller every three years for program effectiveness and cost efficiency.

Comments:

1. Although the proposed ordinance, similar to Proposition N, would amend the City's Administrative Code to reflect increased monthly payments for General Assistance recipients, Mr. Arnold advises that the proposed higher monthly payments reflected in the proposed ordinance were actually the amounts that General Assistance recipients were receiving prior to June 1, 2003. According to Mr. Arnold, General Assistance monthly grants are adjusted each year based on the State CalWorks cost of living increase provisions. Mr. Arnold advises that on June 1, 2003 an automatic increase of 3.74 percent became effective, which is currently pending before the State Legislature as part of the State's FY 2003-2004 budget deliberations. According to the City Attorney's Office, Section 20.57 (d) of the existing Administrative Code provides that the maximum General

Assistance grant amounts shall be increased by an annual percentage cost of living increase according to the same schedule as implemented by the State's CalWorks program. Although the actual payments made to General Assistance recipients has been adjusted annually in accordance with this cost of living provision, Mr. Arnold advises that the City's Administrative Code has not been amended each year to reflect these increased cost of living adjustments on San Francisco's General Assistance monthly payments.

2. On June 9, 2003 the Budget Analyst's Office issued a report to the Board of Supervisors which analyzes the Department of Human Services plans for the implementation of Proposition N, including the provisions of the General Assistance program.

3. The proposed ordinance would establish a required baseline appropriation for housing and related services that equals the FY 2002-2003 Annual Appropriation Ordinance for cash aid payments to homeless adult individuals. However, the City Attorney's Office advises that Article IX of the City's Charter provides that future Mayors and Board of Supervisors have discretion in setting and approving annual appropriations. Therefore, the City Attorney's Office advises that the funding language regarding the baseline appropriations, as contained in Proposition N and in the subject ordinance cannot be mandatory and must be interpreted as a policy recommendation or advisory only for future Mayors and Board of Supervisors. Therefore, although the Department of Human Services advises that $13,904,979 is the baseline appropriation of cash assistance provided in FY 2002-2003 for homeless individuals, the Budget Analyst notes that, based on the City Attorney's opinion, the $13,904,979 level of funding may or may not be included by the City for cash payments, housing, food and support services in future years to homeless adults.

4. Mr. Trent Rhorer of the DHS advises that as a result of the recent Superior Court decision, which invalidated the sections in Proposition N that apply to the General Assistance program, approximately 40 percent of the recipients in DHS's cash assistance programs would be

eliminated from Proposition N. The remaining approximately 60 percent of the recipients in the other cash assistance programs (PAES, CALM and SSIP) which were not invalidated by the Court decision, would then have an incentive to transfer to the General Assistance program, in order to receive the higher cash assistance payments according to Mr. Rhorer. Mr. Rhorer advises that that this transfer of participants from one aid program to another would undercut the main provisions and intent of Proposition N. Mr. Rhorer also advises that there are no provisions in Proposition N for severing portions of the Proposition. Therefore, Mr. Rhorer advises that after consulting with the Mayor, DHS did not implement Proposition N on July 1, 2003.

5. The Budget Analyst notes that an alternative ordinance (File 03-0871), which does not include shelters as part of the definition of housing, was recently approved by the Board of Supervisors. However, if the proposed ordinance is approved by the Board of Supervisors, the proposed ordinance would supercede any previously approved ordinances on the same subject.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Supersedes:		
Sec. 99-1	CAAP References	Sec. 99-1
Page 1		Page 1
Eff. 10/01/00	Income-In-Kind Table	Eff. 10/01/01

INCOME-IN-KIND VALUES
as of 10/1/01

# of Persons	Housing	Utilities	Food	Clothing
1	$191	$40	$105	$33
2	255	45	225	62
3	279	48	287	93
4	293	51	356	124
5	293	51	430	156
6	293	51	497	186
7	293	51	554	220
8	293	51	607	245
9	293	51	667	281
10	293	51	720	309

NOTE: For households of more than 10, add $14 per additional person for food and clothing values.

Item 3 - File 03-1238

Department: Department of Human Services

Item: Ordinance amending the San Francisco Administrative Code by adding Section 10.100-77 to establish a Department of Human Services Care Fund, appropriating funds to the Fund, making it City policy to appropriate funds in the future, limiting the uses of the funds, and providing for appropriations from the Fund in excess of a set cap.

Description: The proposed ordinance would add sections 10.100-77 to the Administrative Code to do the following:

- Establish a Fund for the programs and services required to implement Proposition N or the "Care Not Cash Initiative," as adopted by voters in November 2002.
- Appropriate initial revenues of $6,004,473 to the Fund.
- Limit the use of funds appropriated to the Fund such that revenues could only be used by the Department of Human Services (DHS) to provide: (1) housing, utilities, and meals, as defined in Proposition N; (2) drug and alcohol treatment facilities; (3) mental health care; and (4) job training. The proposed ordinance states that the DHS may also use monies in the Fund to pay for master lease contracts for Single Room Occupancy (SRO) hotels, expanded shelter operation contracts, meal contracts, and other contracts that provide the mandated housing, utilities, and meals.
- Limit the City only to those monies in the Fund to pay for the provisions of care required to implement Proposition N.
- Require the Human Services Commission to certify the number of County Adult Assistance Program (CAAP) recipients in the City's shelter system who would be served by proposed new, expanded, or existing programs or contracts before the DHS expends specific revenues.
- Require that the Human Services Commission certify the number of individuals seeking CAAP has been reduced before the DHS expends specific revenues.

- Require that the DHS certifies the existence and availability of the services for 750 CAAP recipients in the City's shelter system before the DHS reduces the cash payments made to these 750 CAAP recipients.
- Establish limits on this fund such that the Controller would notify the DHS, the Board of Supervisors and the Mayor if the fund balance exceeded $11,922,579. The DHS could only expend monies from the Fund in excess of $11,922,579 by supplemental appropriation. The proposed ordinance specifies that such a supplemental appropriation request to the Board of Supervisors would include a plan from the DHS that explains how the funds will be expended.

Comment: The Office of the Sponsor has advised that the proposed ordinance is in draft form and an Amendment of the Whole will be submitted at the July 30, 2003 Finance and Audits Committee meeting.

Item 4 - File 03-1240

Department: Department of Human Services (DHS)
Department of Public Health (DPH)

Item: Ordinance amending Section 10.100 of the San Francisco Administrative Code to establish the Cash for Care Special Account to receive, administer and fund programs for the homeless of San Francisco.

Description: The proposed ordinance would establish a new Cash for Care Special Account to receive, administer and fund programs for the homeless of San Francisco. The proposed Cash for Care Special Account would receive donations from businesses, organizations and individuals and provide matching City funding, dollar for dollar, for such donations. According to the subject ordinance, the funds from the proposed Special Account would be used to improve the lives of San Francisco's homeless population, assist moving people out of homelessness and provide supportive housing programs with "wrap-around" services such as job training, substance abuse treatment and mental health treatment. However, all expenditures from the monies which accrue to the Special Account would be subject to Board of Supervisors approval.

In accordance with the proposed ordinance, a seven member advisory committee would be composed of one representative each from (1) the Department of Public Health, (2) the Department of Human Services, (3) the business community, (4) a non-profit provider of homeless services, (5) a neighborhood association, (6) an advocate for the homeless and (7) a current or formerly homeless individual. The Department of Public Health and Department of Human Services would designate their own representatives and the Board of Supervisors would appoint the other five members to this advisory committee, each of which would serve terms of one year. This advisory committee would be responsible for submitting a written annual report to the Board of Supervisors and its

Finance or Budget Committee of all revenues and expenditures from the Cash for Care Special Account and for making recommendations to the Board of Supervisors regarding how funds in the Cash of Care Special Account should be expended. However, in accordance with the proposed ordinance, the Board of Supervisors would finally determine how to appropriate such funds.

This new Special Account would be established as a category four fund, which according to Section 10.100-1 of the City's Administrative Code provides for accumulated interest in the Account and automatic carryforward of the Special Account funds to the subsequent fiscal year.

Comments:

1. The proposed ordinance requires that matching City funding, on a dollar for dollar basis, be provided based on the amount of the donations made to the subject new Special Account. Therefore, there would be a cost to the City to implement the proposed ordinance, but such costs to the City would be dependent on how much is actually donated to the proposed Special Account. The proposed ordinance does not identify the source of funds for the required matching of City funds to be allocated to the proposed new Cash for Care Special Account.

2. As previously noted, all expenditures to be made from this proposed Special Account would be subject to Board of Supervisors appropriation approval.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 5 – File 03-1241

Department: Department of Administrative Services

Item: Ordinance amending Section 16.93 of the San Francisco Administrative Code to allow the Cash for Care Special Account to participate in the annual joint fundraising drive.

Description: The proposed ordinance would add the new Cash for Care Special Account (See Item 4, File 03-1240 of this report) to the list of agencies currently eligible to participate in the City's Annual Joint Fundraising Drive, in accordance with Section 16.93 of the City's Administrative Code. Currently, Section 16.93-3 of the Administrative Code requires the Department of Administrative Services (a) to review all applications from charitable organizations and any Mayor's Fund which request to participate in the City's Annual Joint Fundraising Drive, and (b) to recommend to the Board of Supervisors applications which qualify to participate in the City's Annual Joint Fundraising Drive, in accordance with the criteria set forth in the Administrative Code. The Mayor's Funds that are currently identified in the Administrative Code as being eligible to participate in the City's Annual Fundraising Drive include (1) the Mayor's Youth Fund, (2) the Mayor's Homeless Fund and (3) the Mayor's Youth Employment Summer Program. The proposed ordinance would add the Cash for Care Special Account to this list of eligible Funds. Under the City's Annual Joint Fundraising Drive, City employees can designate funds to be withheld from their paychecks based on specific organizations that qualify to receive such contributions.

The proposed ordinance would require that the Cash for Care Special Account certify to the Board of Supervisors that the Federal Internal Revenue Service has determined that contributions to the Cash for Care Special Account are tax deductible. The proposed ordinance also reiterates language (also contained in Item 4, File 03-1240) that the seven-member advisory committee for the Cash for

Care Special Account be required to submit to the Board of Supervisors and the Finance or Budget Committee an annual written report of revenues and expenditures for the subject Special Account.

Comment: The amount of funds that would be contributed to the subject Cash for Care Special Account through the City's Annual Joint Fundraising Drive, if the proposed ordinance is approved, cannot be determined at this time. However, as noted in Item 4, File 03-1240 of this report, the City would be required to match such donations or contributions, on a dollar for dollar basis. Therefore, the proposed ordinance may result in costs to the City, the amount of which would be dependent on how much is donated through the Annual Joint Fundraising Drive.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 6 – File 03-0743

Department: Port of San Francisco

Item: Resolution approving and authorizing a 50-year lease with a 16-year renewal option between the Port and San Francisco Waterfront Partners I, LLC for Piers 1½, 3 and 5, approving the related Parking Agreement, and adopting Findings related to the Mitigated Negative Declaration prepared pursuant to the California Environmental Quality Act (CEQA).

Location: Piers 1½, 3 and 5 between Washington Street and Broadway, San Francisco.

Purpose of Lease: To develop the buildings on Piers 1½, 3 and 5 (collectively known as the "Piers Project").

Under the proposed lease between the Port and San Francisco Waterfront Partners I, LLC, the lessee, San Francisco Waterfront Partners I, LLC, would renovate, repair, and restore the historic Piers 1½, 3 and 5, to be used for retail, office, and public spaces, at an estimated total cost of $44,000,000, which, according to the Port, would make the piers an active part of the waterfront, generating rental income for the Port.

Description: The proposed resolution would authorize:

(a) A new 50-year lease (with a 16-year renewal option) between the Port and San Francisco Waterfront Partners I, LLC, for 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5, which are under the jurisdiction of the Port.

(b) A new 50-year Parking Agreement between the Port and San Francisco Waterfront Partners I, LLC (with a 16-year renewal option) for 25 parking spaces. The Port has negotiated on behalf of San Francisco Waterfront Partners I, LLC, for Hornblower Yachts, Inc., an existing maritime tenant which leases 80,701 square feet of Pier 3 space, to provide San Francisco Waterfront Partners I, LLC with 25 parking spaces at Pier 3 at market rates. In the future, if a new parking garage is built nearby on Port property, 20 of the spaces required by San Francisco Waterfront Partners I, LLC might be located at that new parking garage.

San Francisco Waterfront Partners I, LLC would spend an estimated $44,000,000 for total project costs to construct the following on the existing 71,767 of wharf space and open water areas at Piers 1 ½, 3 and 5:

- Approximately 15,785 square feet for three food and beverage establishments on the ground floor.
- No more than 60,017 square feet of Class A office space (excluding common areas), primarily above the ground floor. The Port has an option to expand its administrative offices into a portion of this space on the second floor (see Comment No. 6).
- Approximately 1,400 square feet for a new sales and ticket office for Hornblower Yachts, Inc., an existing maritime tenant of the Port's on the adjacent open portion of Pier 3 (which is outside the scope of the Piers Project),[1] provided Hornblower Yachts, Inc. exercises its option to sublease this space. If

[1] The open portion of Pier 3 is presently leased to Hornblower Yachts, Inc. and is not part of the Piers Project. The Port currently maintains the access ways from the Embarcadero to that portion of Pier 3. The Port has performed emergency substructure repairs to the Pier 3 access ways at a cost of $2,400,000.

Hornblower Yachts, Inc. exercises its option, Hornblower Yachts, Inc. would be required to pay for any tenant improvements.

- Approximately 31,071 square feet of public access, including a boat dock for water taxis and temporary berthing for recreational boats at Pier 1½, bayside walkways between Pier 1 and Pier 7, and an interior Bayside History Walk through Piers 1½ and 3, which includes plaques and displays depicting the piers' history.

Mr. Bennett advises that the Piers Project, as described above will total approximately 108,273 square feet, or 36,506 square feet more than the 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5 due to the internal addition of mezzanine floors and second floors within the buildings on Pier 3 and Pier 5, and the construction of a public berthing/water taxi dock.

Under the proposed lease, San Francisco Waterfront Partners I, LLC would be responsible for making all repairs and for maintaining the structure, substructure, and public access areas of Piers 1½, 3 and 5. San Francisco Waterfront Partners I, LLC would receive from the Port up to $10,000,000 in rent credits for the cost of repairs to the piers' substructures within a maximum of 15 years (see Rent Credits Section below).

Lessor: San Francisco Port Commission

Lessee: San Francisco Waterfront Partners I, LLC, a California limited liability company. San Francisco Waterfront Partners I, LLC is a wholly-owned subsidiary of San Francisco Waterfront Partners, LLC, a joint venture consisting of:

- Putnam Waterfront Partners, LLC (managing member). Putnam Waterfront Partners is a joint venture of Mr. Donald Putnam, Mr. Simon Snellgrove,

Mr. Jeffrey Lewis, and Primus Infrastructure Company, LLC (co-development manager).[2]

- The California State Teachers' Retirement System (CalSTRS). CalLSTRS would provide 100 percent of the debt financing and $13,100,000 of the equity required for the project, which is approximately 29.8 percent of the total project cost of $44,000,000.

No. of Sq. Ft. 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5.

Rent Payable by San Francisco Waterfront Partners I, LLC to the Port: Minimum Rent

Under the proposed lease, because the substructures under the buildings at Piers 1½, 3 and 5 have been condemned, there would be no Minimum Rent payable to the Port during the construction period estimated to last for a maximum of 24 months. However, once a certificate of occupancy is issued, or 24 months after lease commencement, whichever occurs first, San Francisco Waterfront Partners I, LLC would be required to pay the Port a Minimum Rent of $500,000 annually (before rent credits, as explained below), payable in monthly installments of $41,667.

Under the proposed lease, the Minimum Rent would be increased every five years by the cumulative increase in the Consumer Price Index (CPI) over that five year period, with a minimum increase of 10 percent and a maximum increase of 20 percent regardless of whether the cumulative CPI increase over five years is less than 10 percent or greater than 20 percent.

Under the proposed lease, the Minimum Rent would be further adjusted at the end of the 20th and 40th years, and at the end of the 50th year if San Francisco Waterfront Partners I, LLC exercises the lease renewal option, to the greater of (a) the CPI adjustment, or (b) 85 percent of the

[2] Primus Infrastructure Company, LLC was formerly The Jefferson Company. The August 31, 2000 Request for Proposals response from San Francisco Waterfront Partners I, LLC listed that company under its former name.

average annual Minimum Rent plus the Percentage Rent during the preceding ten years.

Percentage Rent

Under the proposed lease, San Francisco Waterfront Partners I, LLC would pay the Port a Percentage Rent equal to 15 percent of its gross receipts during each quarter, if the Percentage Rate exceeds the Minimum Rent. Therefore, San Francisco Waterfront Partners I, LLC would pay the Port the greater of the Minimum Rent or the Percentage Rent.

Rent Credits

Under the proposed lease, San Francisco Waterfront Partners I, LLC would receive rent credits from the Port for the hard and soft costs it incurs to repair and upgrade the piers' substructures, up to a maximum of $10,000,000 and excluding any interest charges. The Port would give rent credits to San Francisco Waterfront Partners I, LLC each month that San Francisco Waterfront Partners I, LLC pays the Port a Percentage Rent, which as previously stated, is the amount of rent payable if the Percentage Rent is greater than the Minimum Monthly Rent of $41,667. The granting by the Port to San Francisco Waterfront Partners I, LLC of such Rent Credits expires when San Francisco Waterfront Partners I, LLC has received total rent credits for allowable repair and upgrade costs of up to $10,000,000 or over 15 years, whichever occurs earlier, since the amount of rent credits granted depend on the amount of Percentage Rent payable to the Port. The Port expects San Francisco Waterfront Partners I, LLC to amortize the complete cost of substructure improvements within a maximum of 15 years according to Port financial projections. The projected amortization schedule for the estimated costs of up to $10,000,000 for substructure improvements are shown in Attachment I, provided by the Port, in the column "Cumulative Rent Credits."[3]

[3] As shown in Attachment I, under Alternate A, amortization would occur between Years 3 and 16, in the full amount of $10,000,000. Under Alternate B, amortization would occur between Years 3 and 17, in the estimated amount of $9,394,104. Under Alternate C, amortization would occur between Years 3 and 17, in the estimated amount of $8,601,921.

Federal Rehabilitation Tax Credits

Under the proposed lease, San Francisco Waterfront Partners I, LLC would retain all proceeds from Federal Rehabilitation Tax Credits received as a result of complying with the U.S. Secretary of the Interior's Standards for Rehabilitation of Historic Buildings. Ms. Jennifer Sobol of the Port advises that San Francisco Waterfront Partners I, LLC will receive an estimated $6,000,000 in Federal Rehabilitation Tax Credits. Ms. Sobol further advises that the majority of these Federal Rehabilitation Tax Credits will be realized by San Francisco Waterfront Partners I, LLC when the first certificate of occupancy is issued by the Port to San Francisco Waterfront Partners I, LLC.

Port's Participation in Net Sales Proceeds

Under the proposed lease, San Francisco Waterfront Partners I, LLC could sell the lease at any time, subject to approval by the Port Commission, but not subject to approval by the Board of Supervisors. Under the proposed lease, San Francisco Waterfront Partners I, LLC and any subsequent lessee would pay the Port 15 percent of the net sales proceeds from all sales of the leasehold by the existing lessee during the initial 50-year lease term. The net sales proceeds for the first such leasehold sale would be the total sale price less (a) transaction expenses, and (b) San Francisco Waterfront Partners I, LLC's net development costs. The net sales proceeds from any subsequent lessee sale in the future are the total leasehold sale price less (a) transaction expenses, and (b) the seller's purchase price for the leasehold.

Total Projected Revenues to the Port

Attachment I shows the projected revenues to the Port from San Francisco Waterfront Partners I, LLC between 2003 and 2053 from the Minimum Rent, the Percentage Rent, and the Port's participation in net sales proceeds, less rent credits. Attachment I contains three alternative revenue projections:

- Under Alternate A, which assumes potential office sublease rent per square foot of $60.00 annually, and other potential sublease rent per square foot of $40.00 annually, the estimated revenue to the Port totals $64,788,339 over 50 years, an average of $1,295,767 per year (as stated on page 1 of Attachment I).
- Under Alternate B, which assumes potential office sublease rent per square foot of $50.00 annually, and other potential sublease rent per square foot of $33.00 annually, the estimated revenue to the Port totals $51,802,808 over 50 years, an average of $1,036,056 per year (as stated on page 3 of Attachment I).
- Under Alternate C, which assumes potential office sublease rent per square foot of $46.00 annually, and other potential sublease rent per square foot of $31.00 annually, the estimated revenue to the Port totals $47,295,810 over 50 years, an average of $945,916 per year (as stated on page 5 of Attachment I).

Term of Lease and Parking Agreement: September 1, 2003 to August 31, 2053 (50 years)

Right of Renewal: Sixteen years. If San Francisco Waterfront Partners I, LLC exercises the 16 year renewal option, the total lease term would be 66 years, expiring on August 31, 2069.

Comments: 1. Piers 1½, 3 and 5, which are located north of the Ferry Building, were built in 1918 and were listed in November of 2002 on the National Register of Historic Places as its own separate district called the Central Embarcadero Piers Historic District. The Port's Waterfront Land Use Plan requires that any improvements to these historic pier structures be consistent with the U.S. Secretary of the Interior's Standards for Rehabilitation of Historic Buildings. Compliance with these standards would make

San Francisco Waterfront Partners I, LLC eligible for Federal Rehabilitation Tax Credits.

2. The buildings on all three piers were condemned in December of 2000 by the Port as being unsafe for occupancy due to the deteriorated condition of the piers' substructure. All leases for buildings on the three piers were terminated and all tenants vacated the pier buildings. Therefore, since December of 2000, the Port has not received any income from the condemned portions of the piers (although it has received rental income from Hornblower Yachts, Inc. which occupies the open portion of Pier 3).

3. On March 10, 2000, the Port issued a Request for Proposals to lease and develop Piers 1½, 3 and 5. On August 31, 2000, the Port received the following three proposals:

- Embarcadero Waterfront Partners, LLC, owned by Levin Menzies Kelly & Associates, LLC.
- San Francisco Waterfront Partners I, LLC, a joint venture of Putnam Waterfront Partners, LLC (managing member), Primus Infrastructure Company, LLC (development manager), and CalSTRS.
- Watermark Partners, LLC, a joint venture of Fidelity Partners, Inc. (managing member) and ING Realty Partners.

These three proposals were reviewed by Port staff and an independent team of qualified architecture, engineering, and planning consultants led by Keyser Marston Associates, Inc., a real estate economics and planning firm.[4]

[4] In addition to reviewing the economic aspects of the proposal, Keyser Marston Associates, Inc. led a team comprising (a) BMS Design Group (reviewed the design proposal, and physical and historic preservation aspects), (b) Moffatt and Nichol Engineering (reviewed the pier substructure repair proposals), (c) Esherick Homsey Dodge and Davis (reviewed the historic rehabilitation elements of the proposals), and (d) Pittman and Hames (undertook an office and retail space rent comparison study).

4. Port staff, with input from the consultant team, ranked San Francisco Waterfront Partners I, LLC Number 1 in terms of meeting the selection criteria. The three proposals were ranked as follows:

Request for Proposals Criteria	Embarcadero Waterfront Partners, LLC	San Francisco Waterfront Partners, LLC	Watermark Partners, LLC
Ability, experience, and past economic performance	2	1	3
Development concept	2	1	3
Financial proposal	1	1	3
Project feasibility	2	1	3
Overall Ranking	2	1	3

According to Ms. Sobol, the San Francisco Waterfront Partners I, LLC's proposal contained the least amount of new construction and office space, best achieved the Port's planning and design objectives, provided more of the required and encouraged uses defined in the Request for Proposal, promoted maritime activities, and provided the most public access. A detailed comparison of the three proposals is contained in Attachment II, provided by the Port.

5. Mr. Bennett advises that this proposed lease is structured so that private development would generate the revenues necessary to fund the required repairs and upgrades to the substructures of Piers 1½, 3 and 5 (with the Port granting San Francisco Waterfront Partners I, LLC rent credits for up to $10,000,000 of those costs), and then the Port would participate in the future revenues generated by the development of the site. According to Mr. Bennett, the subject transaction is not structured to provide San Francisco Waterfront Partners I, LLC with a preferred return[5] on its development costs of an estimated

[5] Mr. Bennett advises that under a "preferred return" participation structure, the developer (in this case, San Francisco Waterfront Partners I, LLC) would obtain a preferred return on its investment prior to the Lessor (in this case, the Port) receiving its participation. Therefore, the developer's return has priority over the Lessor's. The proposed lease is not structured to provide San Francisco Waterfront Partners I, LLC with a preferred return.

$44,000,000. The 15 percent percentage rent is simply calculated as a percentage of San Francisco Waterfront Partners I, LLC's gross receipts. Similarly, if the leasehold is sold prior to the end of the lease, the Port's participation in sales proceeds is simply calculated at 15 percent of net sales proceeds. While San Francisco Waterfront Partners I, LLC assumes all the development cost risk, it would retain all Federal Rehabilitation Tax Credits and all proceeds from refinancing, and it would receive rent credits for the cost of substructure repairs up to $10,000,000. The Port advises that this proposal provides the Port with a relatively predictable income stream, limiting downward volatility. While the Port advises that the proposal from San Francisco Waterfront Partners I, LLC might not provide the Port with as much potential future revenue as a typical preferred return structure, according to Mr. Bennett the Port's participation in future revenues is more secure under the proposed lease. Mr. Bennett states that this proposal still provides a significant and more certain opportunity for the Port to participate in greater potential revenues, through the Port's participation in the gross receipts of San Francisco Waterfront Partners I, LLC and from net sales proceeds of the leasehold. Attachment III, provided by Mr. Bennett, provides further information about the proposed transaction structure.

6. Under the proposed lease between the Port and San Francisco Waterfront Partners I, LLC, the Port has the option to expand its current offices at Pier 1, presently consisting of 52,475 square feet, into an additional estimated 3,132 square feet in the proposed second floor of Piers 1½ and 3. The option is exercisable at market rates once every ten years, if space becomes available. Ms. Sobol advises that exercising this option would cost the Port an estimated annual rental of $144,072 ($46.00 per square foot per year) to $187,920 ($60.00 per square foot per year), based upon the current office rental projections in Attachment I.

7. Ms. Sobol advises that the following regulatory agencies must approve the project proposed by the San Francisco Waterfront Partners I, LLC:

- The Board of Supervisors (the subject resolution).
- The San Francisco Planning Department. The California Environmental Quality Act review has been completed, and a letter from the Planning Department granting an Off-street Parking Exemption has been issued.
- The State Lands Commission (no approval required, but the State Lands Commission's Executive Director has provided a letter requested by the Port that the proposed Piers Project is consistent with the public trust).
- The Port Commission (approval received).
- The National Park Service and Historic Preservation Officer (approval pending).
- The Bay Conservation and Development Commission (approval received).
- The Port's Building Department. Ms. Sobol advises that the Port's Building Department is reviewing the initial construction drawings and will issue a Site Permit prior to delivery of the lease.
- The Army Corps of Engineers. Ms. Sobol advises that the Army Corps of Engineers has indicated that it is prepared to approve the project, and will issue a permit prior to delivery of the lease.

According to Ms. Sobol, the Port anticipates that these approvals will be made in time for construction to begin in the Fall of 2003 so that construction can be completed by 2005.

8. On May 31, 2002, the Planning Department completed its environmental review of the proposed project and issued a Mitigated Negative Declaration which (a) finds that the project will not have a significant effect on the environment, and (b) identifies certain mitigation and improvement measures to avoid potential significant negative effects.

9. As previously noted, under the proposed lease, the Minimum Rent would be increased every five years by the cumulative increase in the Consumer Price Index (CPI) over that five year period, with a minimum increase of 10 percent and a maximum increase of 20 percent. The Budget Analyst notes that a rent increase based on annual increases in the CPI would result in greater minimum rent due to the Port. For example, under the proposed lease, the total Minimum Rent due to the Port over the first five years that rent is to be paid (i.e., after the construction period) would be $2,500,000 ($500,000 annually for five years). If, for example, the CPI were to increase by four percent annually over that period, and the Minimum Rent were to be adjusted annually based on such CPI increases, the Port would be due Minimum Rent of $2,708,161 over the first five years, which is $208,161 or 8.3 percent more than the Minimum Rent specified in the proposed lease.

In response, Mr. Bennett states that the Minimum Rent would be subject to a CPI adjustment every five years, rather than annually, with a minimum and maximum increase, because such provisions are consistent with the real estate leasing practice for longer term leases. Mr. Bennett advises that the cumulative CPI increase every five years, rather than an annual CPI increase, is an important part of the financial proposal submitted by the San Francisco Waterfront Partners I, LLC. According to Mr. Bennett, depending on the market throughout the term of the lease, San Francisco Waterfront Partners I, LLC may not be able to obtain annual cost of living increases from their subleasees. Mr. Bennett advises that five-year increases in the Minimum Rent would enable San Francisco Waterfront Partners I, LLC to better strategize the timing of their subleases. Mr. Bennett also advises that the Port is protected by the cumulative cost of living increases in the Minimum Rent and by the quarterly payment of the Percentage Rent, noting that the Port's projections show that the Percentage Rent will exceed the Minimum Rent under all projection scenarios. However, the Budget Analyst notes that there is no guarantee that the Percentage Rent will exceed the Minimum Rent.

Mr. Bennett advises that re-negotiating the cumulative CPI increase to an annual increase will re-open negotiations of other lease terms that are important to San Francisco Waterfront Partners I, LLC.

Recommendation:

1. In accordance with Comment 9, amend the proposed resolution to require that the Port Commission amends the Lease to provide for annual CPI adjustments to the proposed Minimum Rent instead of cumulative CPI adjustments once every five years.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE A

Assumptions:
Potential Office Sublease Rent Per Square Foot: $60.00
Potential Other Sublease Rent Per Square Foot: $40.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				**$58,402,805**	**$6,385,534**	**$64,788,339**	
Average Years 1-50				**$1,168,056**		**$1,295,767**	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	155,147	(605,147)	50,000	0	50,000	605,147
4	500,000	174,801	(624,801)	50,000	0	50,000	1,229,948
5	500,000	195,045	(645,045)	50,000	0	50,000	1,874,993
6	500,000	215,896	(665,896)	50,000	0	50,000	2,540,889
7	500,000	237,373	(687,373)	50,000	0	50,000	3,228,262
8	579,637	179,857	(709,494)	50,000	0	50.000	3,937,757
9	579,637	202,642	(732,279)	50,000	0	50,000	4,670,036
10	579,637	226,111	(755,748)	50,000	0	50,000	5,425,784
11	579,637	250,283	(779,920)	50,000	0	50,000	6,205,704
12	579,637	275,181	(804,818)	50,000	0	50,000	7,010,522
13	671,958	208,504	(830,462)	50,000	0	50,000	7,840,984
14	671,958	234,918	(856,876)	50,000	0	50,000	8,697,860
15	671,958	262,124	(884,082)	50,000	0	50,000	9,581,942
16	671,958	290,147	(418,058)	544,047	0	544,047	10,000,000
17	671,958	319,010	0	990,968	0	990,968	
18	778,984	241,713	0	1,020,697	2,940,706	3,961,403	
19	778,984	272,334	0	1,051,318	0	1,051,318	
20	778,984	303,874	0	1,082,858	0	1,082,858	
21	778,984	336,360	0	1,115,343	0	1,115,343	
22	778,984	369,820	0	1,148,804	0	1,148,804	
23	903,056	280,212	0	1,183,268	0	1,183,268	
24	903,056	315,710	0	1,218,766	0	1,218,766	
25	903,056	352,273	0	1,255,329	0	1,255,329	
26	903,056	389,933	0	1,292,988	0	1,292,988	
27	903,056	428,723	0	1.331,778	0	1,331,778	
28	1,046,889	324,843	0	1,371,731	0	1,371,731	
29	1,046,889	365,994	0	1,412,883	0	1,412,883	
30	1,046,889	408,381	0	1,455,270	3,444,828	4.900,098	
31	1,046,889	452,039	0	1,498,928	0	1,498,928	
32	1,046,889	497,007	0	1,543,896	0	1,543,896	
33	1,213,631	376,582	0	1,590,213	0	1,590,213	

34	1,213,631	424,288	0	1,637,919	0	1,637,919
35	1,213,631	473,425	0	1,687,057	0	1,687,057
36	1,213,631	524,037	0	1,737,668	0	1,737,668
37	1,213,631	576,167	0	1,789,798	0	1,789,798
38	1,406,931	436,561	0	1,843,492	0	1,843,492
39	1,406,931	491,866	0	1,898,797	0	1,898,797
40	1,406,931	548,830	0	1,955,761	0	1,955,761
41	1,406,931	607,503	0	2,014,434	0	2,014,434
42	1,406,931	667,936	0	2,074,867	0	2,074,867
43	1,631,019	506,094	0	2,137,113	0	2,137,113
44	1,631,019	570,207	0	2,201,226	0	2,201,226
45	1,631,019	636,244	0	2,267,263	0	2,267,263
46	1,631,019	704,262	0	2,335,281	0	2,335,281
47	1,631,019	774,321	0	2,405,339	0	2,405,339
48	1,890,798	586,702	0	2,477,500	0	2,477,500
49	1,890,798	661,027	0	2,551,825	0	2,551,825
50	1,890,798	737,581	0	2,628,379	0	2,628,379

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	5,396,766
Sales Price @ 9% Cap Rate	59,964,062
Less: Cost of Sales @ 3%	(1,798,922)
Add: PV Rent Credits @ 9%	5,439,566
Less: Development Costs	(44,000,000)
Net Sales Proceeds	19,604,706
Port Participation @ 15%	**2,940,706**

Second Sale (Year 30)

Net Operating Income Year 31	7,694,497
Sales Price @ 9% Cap Rate	85,494,414
Less: Cost of Sales @ 3%	(2,564,832)
Less: Purchase Price	(59,964,062)
Net Sales Proceeds	22,965,520
Port Participation @ 15%	3,444,828

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE B

Assumptions:
Potential Office Sublease Rent Per Square Foot: $50.00
Potential Other Sublease Rent Per Square Foot: $33.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				$47,551,672	$4,251,136	$51,802,808	
Average Years 1-50				$951,033		$1,036,056	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	45,414	(495,414)	50,000	0	50,000	495,414
4	500,000	61,776	(511,776)	50,000	0	50,000	1,007,190
5	500,000	78,629	(528,629)	50,000	0	50,000	1,535,819
6	500,000	95,988	(545,988)	50,000	0	50,000	2,081,808
7	500,000	113,868	(563,868)	50,000	0	50,000	2,645,676
8	579,637	52,647	(582,284)	50,000	0	50,000	3,227,960
9	579,637	71,616	(601,253)	50,000	0	50,000	3,829,212
10	579,637	91,153	(620,790)	50,000	0	50,000	4.450,002
11	579,637	111,277	(640,914)	50,000	0	50,000	5,090,916
12	579,637	132,004	(661,641)	50,000	0	50,000	5,752,558
13	671,958	61,032	(682,990)	50,000	0	50,000	6,435,548
14	671,958	83,022	(704,980)	50,000	0	50,000	7,140,528
15	671,958	105,671	(727,630)	50,000	0	50,000	7,868,158
16	671,958	129,000	(750,958)	50,000	0	50,000	8,619,116
17	671,958	153,029	(774,987)	50.000	0	50,000	9,394,104
18	778,984	70,753	0	849,737	1,383,295	2,233,031	
19	778,984	96,245	0	875,229	0	875,229	
20	778,984	122,502	0	901,486	0	901,486	
21	778,984	149,547	0	928,530	0	928,530	
22	778,984	177,403	0	956,386	0	956,386	
23	903,056	82,022	0	985,078	0	985,078	
24	903,056	111,575	0	1,014,630	0	1,014,630	
25	903,056	142,014	0	1,045,069	0	1,045,069	
26	903,056	173,366	0	1,076,421	0	1,076,421	
27	903,056	205,658	0	1,108,714	0	1,108,714	
28	1,046,889	95,086	0	1,141,975	0	1,141,975	
29	1,046,889	129,346	0	1,176,235	0	1,176,235	
30	1,046,889	164,633	0	1,211,522	2,867,841	4,079,363	
31	1,046,889	200,978	0	1,247,867	0	1,247,867	
32	1,046,889	238,414	0	1,285,303	0	1,285,303	
33	1,213,631	110,231	0	1,323,862	0	1,323,862	

34	1,213,631	149,947	0	1,363,578	0	1,363,578
35	1,213,631	190,854	0	1,404,486	0	1,404,486
36	1,213,631	232,989	0	1,446,620	0	1,446,620
37	1,213,631	276,388	0	1,490,019	0	1,490,019
38	1,406,931	127,788	0	1,534,719	0	1,534,719
39	1,406,931	173,830	0	1,580,761	0	1,580,761
40	1,406,931	221,252	0	1,628,184	0	1,628,184
41	1,406,931	270,098	0	1,677,029	0	1,677,029
42	1,406,931	320,409	0	1,727,340	0	1,727,340
43	1,631,019	148,141	0	1,779,160	0	1,779,160
44	1,631,019	201,516	0	1,832,535	0	1,832,535
45	1,631,019	256,492	0	1,887,511	0	1,887,511
46	1,631,019	313,118	0	1,944,137	0	1,944,137
47	1,631,019	371,442	0	2,002,461	0	2,002,461
48	1,890,798	171,736	0	2,062,534	0	2,062,534
49	1,890,798	233,613	0	2,124,410	0	2,124,410
50	1,890,798	297,345	0	2,188,143	0	2,188,143

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	4,492,842
Sales Price @ 9% Cap Rate	49,920,468
Less: Cost of Sales @ 3%	(1,497,614)
Add: PV Rent Credits @ 9%	4,799,110
Less: Development Costs	(44,000,000)
Net Sales Proceeds	9,221,964
Port Participation @ 15%	**1,383,295**

Second Sale (Year 30)

Net Operating Income Year 31	6,405,719
Sales Price @ 9% Cap Rate	71,174,650
Less: Cost of Sales @ 3%	(2,135,240)
Less: Purchase Price	(49,920,468)
Net Sales Proceeds	19,118,943
Port Participation @ 15%	**2,867,841**

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE C

Assumptions:
Potential Office Sublease Rent Per Square Foot: $46.00
Potential Other Sublease Rent Per Square Foot: $31.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				$43,896,792	$3,399,018	$47,295,810	
Average Years 1-50				$877,936		$945,916	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	2,821	(452,821)	50,000	0	50,000	452,821
4	500,000	17,905	(467,905)	50,000	0	50,000	920,726
5	500,000	33,443	(483,443)	50,000	0	50,000	1,404,169
6	500,000	49,446	(499,446)	50,000	0	50,000	1,903,615
7	500,000	65,929	(515,929)	50,000	0	50,000	2,419,544
8	579,637	3,270	(532,907)	50,000	0	50,000	2,952,451
9	579,637	20,757	(550,394)	50,000	0	50,000	3,502,845
10	579,637	38,769	(568,406)	50,000	0	50,000	4,071,252
11	579,637	57,321	(586,958)	50,000	0	50,000	4,658,210
12	579,637	76,430	(606,067)	50,000	0	50,000	5,264,277
13	671,958	3,791	(625,749)	50,000	0	50,000	5,890,026
14	671,958	24,063	(646,022)	50,000	0	50,000	6,536,048
15	671,958	44,944	(666,902)	50,000	0	50,000	7,202,950
16	671,958	66,451	(688,409)	50,000	0	50,000	7,891,359
17	671,958	88,603	(710,562)	50,000	0	50,000	8,601,921
18	778,984	4,395	0	783,378	755,134	1,538,513	
19	778,984	27,896	0	806,880	0	806,880	
20	778,984	52,102	0	831,086	0	831,086	
21	778,984	77,035	0	856,019	0	856,019	
22	778,984	102,716	0	881,699	0	881,699	
23	903,056	5,095	0	908,150	0	908,150	
24	903,056	32,339	0	935,395	0	935,395	
25	903,056	60,401	0	963,457	0	963,457	
26	903,056	89,305	0	992,360	0	992,360	
27	903,056	119,076	0	1,022,131	0	1,022,131	
28	1,046,889	5,906	0	1,052,795	0	1,052,795	
29	1,046,889	37,490	0	1,084,379	0	1,084,379	
30	1,046,889	70,021	0	1,116,910	2,643,883	3,760,794	
31	1,046,889	103,529	0	1,150,418	0	1,150,418	
32	1,046,889	138,041	0	1,184,930	0	1,184,930	
33	1,213,631	6,847	0	1,220,478	0	1,220,478	

34	1,213,631	43,461	0	1,257,092	0	1,257,092
35	1,213,631	81,174	0	1,294,805	0	1,294,805
36	1,213,631	120,018	0	1,333,649	0	1,333,649
37	1,213,631	160,028	0	1,373,659	0	1,373,659
38	1,406,931	7,937	0	1,414,869	0	1,414,869
39	1,406,931	50,383	0	1,457,315	0	1,457,315
40	1,406,931	94,103	0	1,501,034	0	1,501,034
41	1,406,931	139,134	0	1,546,065	0	1,546,065
42	1,406,931	185,516	0	1,592,447	0	1,592,447
43	1,631,019	9,202	0	1,640,220	0	1,640,220
44	1,631,019	58,408	0	1,689,427	0	1,689,427
45	1,631,019	109,091	0	1,740,110	0	1,740,110
46	1,631,019	161,294	0	1,792,313	0	1,792,313
47	1,631,019	215,064	0	1,846,083	0	1,846,083
48	1,890,798	10,667	0	1,901,465	0	1,901,465
49	1,890,798	67,711	0	1,958,509	0	1,958,509
50	1,890,798	126,466	0	2.017.264	0	2,017,264

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	4,141,983
Sales Price @ 9% Cap Rate	46,022,031
Less: Cost of Sales @ 3%	(1,380,661)
Add: PV Rent Credits @ 9%	4,392,859
Less: Development Costs	(44,000,000)
Net Sales Proceeds	5,034,230
Port Participation @ 15%	**755,134**

Second Sale (Year 30)

Net Operating Income Year 31	5,905,477
Sales Price @ 9% Cap Rate	65,616,412
Less: Cost of Sales @ 3%	(1,968,492)
Less: Purchase Price	(46.022.031)
Net Sales Proceeds	17,625,889
Port Participation @ 15%	**2,643,883**

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DEVELOPMENT TEAMS AND PROPOSALS			
Development Entity:	**Embarcadero Waterfront Partners, LLC**	**San Francisco Waterfront Partners, LLC, joint venture**	**Watermark Partners LLC joint venture**
Developer:	Levin Menzies Kelly & Associates, LLC (Marvin Levin, Paul Menzies, Mike Kelly), Manager The Swig Company (Financial Partner) O'Connor Group/J.P. Morgan (Financial Partner)	Putnam Waterfront Partners, LLC, the Managing Member (Donald Putnam, Chairman; Simon Snellgrove, Managing Member, and President of Joint Venture; and Heather King-McPherson, overall financial responsibility) The Jefferson Company, the Development Manager (Todd Clayter) and Construction Manage Oversight (Kim Wilhelm) California State Teachers' Retirement System (CALSTRS)	Fidelity Partners. Inc., the Managing Member (Sanora Monteko, Joseph Sherman, Herve Vatinel, Perry Raanan) ING Realty Partners
Development Team:			
• Legal Counsel	Moscone, Emblidge & Quadra LLP: Christopher Moscone Crosby Heafy Roach & May: Eun Hee Chang (contracts) Baker & McKenzie: Tim Tosta (land use/planning)	Farella Braun & Martell: Mary Murphy	Reuben & Alter: Jim Reuben
• Architecture	Kwan Henmi Architecture/ Planning: Denis Henmi, Jeff Stahl	Richard Hannum & Associates: Richard Hannum, Janine Moss	Heller-Manus Architects: Clark Manus, Peter Zepponi
• Historic Preservation Architects	Page & Turnbull: John Turnbull, Frederic Knapp, John Alvarez II	Carey & Co. Inc: Alice Carey, Nancy Goldenberg	Architectural Resources Group: Bruce Judd
• Landscape Architect	Stevens & Assoc: Myles Stevens		
• Structural Engineers	Structus Consulting Engineers: Fu-Lien (Henry) Chang	Peter Culley & Associates: Peter Culley, John Hare	Telesis Engineers: Charles Thiel
• Pier Engineering Consultant			Hratch Kouyoumdjian & Associates: Michael O'Sullivan

• Mechanical & Electrical Engineers		Glumac & Assoc: Dick Glumac, Rick Thomas, Michael Suttie	
• Marine Consultants	Structus Consulting Engineers	Charles I. Rauw, Consulting Engineers: Charles Rauw	Power Engineering Contractors Inc: Ken Lindberg, David Mik
• Geotechnical Engineers			Treadwell & Rollo: Frank J. Rollo
• Public Affairs	Jane Winslow Consulting		Andrew Sun and Associates: Andrew Sun
• Environmental Planning			Environmental Science Associates: Karl Heisler
• Traffic Planning			Korve Engineering: Paul Menaker
• Interior Design	Kwan Henmi: Denis Henmi	Hirsch Bedner Associates: Michael Bedner	
• General Contractors	McCarthy Building Companies—Northern California Division: David Parkes, Michael Lipton, Frances Chew	S.J. Amoroso: Dana McManus, George Leonoff	DPR Construction Inc: Greg Hulbert, Scott Reay
• Interior Contractors		Fineline Group: John Santori	
• Permitting			A.R. Sanchez Corea & Associates: Tony Sanchez
• Leasing	CB Richard Ellis: Darin Bosch		Grubb & Ellis: John Jensen, Dan Cressman
• Management & Operations	Levin Menzies Kelly, & CB Richard Ellis: Darin Bosch	Putnam Waterfront Partners	
• Lead Negotiator	Mike Kelly	Simon Snellgrove	Joseph Sherman

The proposals are summarized in the following table. Note that the financial projections included in this table are based upon the proposals and other materials submitted by the respondents.

Development Entity	Embarcadero Waterfront Partners, LLC	San Francisco Waterfront Partners, LLC, joint venture	Watermark Partners, LLC, joint venture
Project Concept	General office uses, except for one 1,500 SF café, Hornblower ticket office, and 6,000 SF museum/non-profit or offices. Retain Piers 1½ -3-5 bulkhead buildings and Pier 1½ building; replace Pier 3 shed with 2-story building. Expanded Portwalk around Pier 1.5 and belvederes at Pier 5 beyond parameters in RFP.	General office uses, except for four food & beverage establishments of various types and sizes, totaling 10,930 SF, and Hornblower ticket office. Retain Piers 1½ - 3-5 bulkhead buildings and Pier 1½ building; add second floor to Pier 3 shed. Floating docks for berthing of excursion boats, recreational boats and water taxis, and for historic boat and ceremonial berthing.	General office uses, except 2,500 SF casual restaurant (or 5,000 SF upscale restaurant, and possibly one other food & beverage establishment), ticket office, and 3,000 SF maritime use. Retain Piers 1½ -3-5 bulkhead buildings and Pier 1½ building; replace Pier 3 shed with 3-story building. Two Scenarios: • Scenario One: Eliminate vehicular access through Pier 3 arch. and reroute

Development Entity	Embarcadero Waterfront Partners, LLC	San Francisco Waterfront Partners, LLC, joint venture	Watermark Partners, LLC, joint venture
		Expanded Portwalk and Bayside History Walk beyond parameters in RFP. Portwalk lowered and separated from existing pier edges.	around perimeter of Pier 3. Replace Pier 1½ building with 3-story building. • Scenario Two: Retain vehicular access through Pier 3 arch. Retain Pier 1½ building, but extend Pier 1½ bulkhead building over public access area. Berthing of historic boat on adjacent Hornblower leasehold. Portwalk modified from parameters in RFP.
Development Program:			
• Public Access Space (Excluding off-site Pier 7 plaza and any exclusive perimeter vehicular access space)	Exterior: 9,900 SF Interior: 6,600 SF Total: 16,500 SF	Exterior: 19,740 SF Interior: 9,467 SF Total: 29,207 SF	Exterior: 9,650/12,370 SF Interior: 0 / 4,320 SF Total: 9,650 / 16,690 SF (Scenario One/ Two)
• Total Commercial Space	68,501 Rentable SF	75,205 Rentable SF	103,800 Rentable SF (Scenario One)/ 91,140 Rentable SF (Scenario Two)
• Restaurants & Cafes	1,500 SF casual café	Four food & beverage establishments totaling 10,930 SF: • Popular-priced, 3-meal casual diner • Gourmet coffee shop/ maritime books and magazines. • Oyster bar • Upscale restaurant	2,500 SF casual restaurant (or 5,000 SF upscale restaurant) at Pier 5; plus 6,400 SF food & beverage establishment at Pier 1½ if commercially viable.
• Offices	59,402-65,402 SF (may include 6,000 SF of museum space)	63,612 SF	96,900 Rentable SF (Scenario One); 84,140 Rentable SF (Scenario 2)
• Museum	0-6,000 SF (may be offices)		
• Hornblower Ticket Office	1,599 SF	663 SF	1,400 SF (Scenario One)/ 1,500 SF (Scenario Two)
• Other Maritime Uses	Berthing and other uses compatible and in conjunction with Hornblower on Pier 3, to be developed in discussion with Port staff.	Historic boat & ceremonial berthing, and recreational boat, excursion boat, and water taxi berthing.	3,000 SF maritime office and support (Hawkes Ocean Technologies) and berthing of historic ship (Presidential Yacht Sequoia) on adjacent Hornblower leasehold.

Financial Proposal:			
• Initial Guaranteed Annual Base Rent	$550,000	$600,000	$600,000
• Base Rent Adjustments	Adjusted every 5 years by change in CPI	Increased every 5 years by increase in CPI, with 10% minimum and 20% maximum increases.	Adjusted annually by change in CPI, not to exceed 3%.
• Percentage Rent	20% of total rental revenue in excess of $3.8 M, less receipt by Port of any CPI adjustment to Base Rent.	15% of gross rental receipts less Base Rent, paid quarterly.	7.5% of gross rent net of Base Rent; 20% of gross rents in excess of $4.2 million
• Percentage Rent Adjustments	None indicated in proposal.	None	To be discussed during exclusive negotiations
• Rent During Construction	$550,000 per year	$316,000 to be added to Port's share of value of project. or paid to Port	$600,000 commencing on receipt of building permits
• Lease Term	50 years	50 years; would seek to negotiate option to extend to 66 years	50 years with 15 year renewal option
• Port's Participation in sale or refinancing proceeds	20% of all profits or excess sums after brokerage commissions and customary expenses of sale or refinance, including repayment of existing debt & equity.	Approximately 24.4% share in net proceeds from sale, transfer or refinancing in proportion to Port's share of total project costs, based upon: • Capitalizing minimum rent at 8%, plus • Total of Base Rent not paid to Port during construction ($316,000 per year), plus • Port's $2 Million substructure repair cost, plus • Port's share of historic tax credits	Not applicable—Watermark intends to hold for lease term
		If Port shares in refinancing proceeds, Port's ongoing percentage Rent is adjusted to reflect additional financing costs.	
• Historic Tax Credits	50% rebated to Port	Port to participate as indicated above for participation in sale or refinance proceeds.	To be discussed during exclusive negotiations.

Projected Rent and Estimated Participation Income to Port:			
• Years 1-10 total rent to Port (Base Rent plus percentage rent)	$9,456,682 (museum) $10,395,430 (offices)	$8,725.512	$13,207,736 (Scenario One) $11,371.094 (Scenario Two)
• Estimated Potential Participation in Sale, Transfer or Refinance (Year 2011)	$4.2 Million (museum) $4.8 Million (office)	$6.8 Million	None proposed
• Participation in Historic Tax Credits	See above	See above	None proposed
Projected Project Costs:			
• Hard Costs (Including tenant improvement allowance and contingency; excluding Port substructure work)	$18.2 Million	$26.8 Million	$24.2 Million (Scenario One) $23.4 Million (Scenario Two)
• Soft Costs	$5.6 Million	$10.4 Million	$7.8 Million (Scenario One) $7.2 Million (Scenario Two)
• Total Development Costs	$23.8 Million	$37.2 Million	$32.0 Million $30.6 Million
Funding:			
• Historic Tax Credits	To be determined.		
• Mortgage Debt	70% ($15.5 million)	65% ($23.6 million)	65% ($21.0 million/ $20.1 million)
• Equity	30% ($6.7 million)	35% (12.7 million	35% ($11.3 million/ $10.8 million)
Schedule:			
• Start Construction	February 1, 2002	Mid 2001 (Pier 5); January 7, 2002 (Piers 1½-3)	May 17, 2001 (Sub-structure)
• Complete Construction	January 1, 2003	June 30, 2003	November 23, 2001 (Pier 5); August 8, 2002 (Pier 1.5)

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PORT OF SAN FRANCISCO
MEMORANDUM

TO: Harvey Rose
Budget Analyst

DATE: June 9, 2003

FROM: Kirk Bennett
Deputy Director Development Projects

SUBJECT: PIERS PROJECT
TRANSACTION STRUCTURE

This memorandum is in response to your request for an explanation of the basis for the transaction structure proposed for the Piers Project, and what other transaction structures were considered. This memorandum first outlines the fundamental alternative transaction structures used by the Port in structuring lease transactions for development projects on the property administered by the Port. With this context, it then explains the selection of transaction structure for the Piers Project.

ALTERNATE TRANSACTION STRUCTURES

The Port's leases for public/ private partnership development projects generally conform to one of the following three fundamental models:

A. Port Participation in Gross Business Receipts

B. Port Participation in Master Tenant Revenues with No Preferred Developer Return

C. Port Participation in Master Tenant Revenues with Preferred Developer Return

The application of these alternative transaction structures generally relate to the type, scale and inherent developer risk of the particular development project, and represent different approaches for balancing Port risks and rewards. All three of these models, which are discussed below, have the following characteristics in common:

1. The developer is required to invest significant capital, including correcting deferred maintenance and seismically upgrading the facility.

2. The leases are net to the Port with the developer being responsible for virtually all improvement, repairs and maintenance, and other operating expenses. The only exceptions are specific limited instances involving public plazas, pier substructure, dredging, site preparation, or soil remediation.

3. The Port receives a guaranteed income stream that is adjusted for inflation over the lease

term.

4. The Port participates in the financial success of the project through participation provisions.

5. The Port is protected from direct development, construction and operational risks of the project.

6. The developer is granted a long-term lease, typically 50-66 years.

A. Port Participation in Gross Business Receipts

This model applies to single public-serving businesses offered a long-term lease. Such leases are structured as either ground leases or ground plus improvements leases. The Port participates in the growth and success of the business by receiving percentage rent calculated upon the gross receipts of the business. These leases usually also provide for periodic adjustments of the rent (minimum an/or percentage rates), in addition to cost of living adjustments. Such adjustments are predicated upon the existence of an inventory of direct comparables (which there are for land and for restaurants). Such leases provide for Port participation in proceeds from sales of the leasehold only if such participation is customary leasing practice for the particular type of business.

This structure offers the Port with the opportunity to achieve the highest rewards, but is only applicable to single public-serving businesses; it is not applicable to multi-tenant projects. In this structure, however, the Port's revenues are directly linked to the business success of its tenant. The percentage rentals fluctuate reflecting the gross sales of the tenant's business, which can be volatile. It also exposes the Port to the financial problems of the tenant, with potential disruption of the Port's income stream from the property. This risk is reduced in the following models because the Port's income is based upon the sublease income of the Port's tenant from its subtenants. This sublease income is generated by a number of subleases with fixed terms, creating less volatility, and this sublease income would continue despite financial problems of the Port's tenant.

B. Participation in Master Tenant Revenues with No Preferred Developer Return

This model is usually applied to multi-tenant projects with predominantly a single type of user, such as offices or restaurants, but it can also be applied to mixed-use projects. This model can be applied to ground leases as well as leases for ground and improvments.

In this model, the Port receives participation rent calculated as a percent of the gross revenues of the master tenant, and thus the Port participates in the growth in the sublease rentals that are generated from subtenants of the project. Because each of these projects is unique – without direct comparables – there are not typically adjustments in the minimum or percentage rental rates other than cost of living increases to the minimum rent. In this model, the Port also shares in the reversion value of the project through participation in the net proceeds from sale (and for larger projects, refinancings) of the leasehold. Without a preferred return being granted to the developer, the Port's participations are simply calculated

as a fixed percent of the tenant's sublease income and as a fixed percent of the tenant's net proceeds from sales of the leasehold.

This approach increases the certainty of the Port's income stream from the project. While it is difficult to predict the amount and timing of participation in net sales proceeds, minimum and participation rentals are generally non-volatile and predictable. This approach represents the least on-going risk to the Port.

C. Port Participation in Master Tenant Revenues with Preferred Developer Return

This model applies to large, complex multi-tenant development projects, which involve a mixture of uses and which typically include existing improvements. In order to entice developers to make substantial capital investments in the face of the large risks inherent with such projects, the Port grants the developer a preferred return.

In this approach, the developer is given the opportunity to achieve a stipulated preferred return on its investment before the Port participates in the upside of the project. The Port participates in the growth of the sublease rentals that are generated by subtenants of the project through participation rent after achievement of the preferred return. These preferred returns are based upon the tenant's investment in the property, either the development costs of the original developer or the purchase price of the leasehold by subsequent purchasers of the leasehold. The participation rental rates are based upon gross revenues, net operating income, or net cash flow of the Port's tenant. Like for Model B, the Port also shares in the reversion value of the project through participation in the net proceeds from sale (and for larger projects, refinancings) of the leasehold. Because the Port's participation is less certain, the percentages used to calculate participation are typically higher than for Model B. Again, like for Model B, because each of these projects is unique – without direct comparables – there are not typically adjustments in the minimum or percentage rental rates other than cost of living increases to minimum rent.

The Port's income from participation beyond minimum rent is less certain than in the above models. Participation income -- both participation rent and participation in net sales proceeds – is volatile, and thus more difficult to predict. However, in that the participation percentages are higher to compensate the Port for its increased risk, the rewards can potentially be higher -- particularly if the project produces "home run" profits. As a result, this approach is appropriate either when it is necessary for the Port to assume more risk in order for the developer to be willing to undertake the development risks, or when the Port desires to assume more risk in return for a potentially higher participation.

PIERS PROJECT

It was decided during the preparation process for the Piers Project request for proposals ("RFP") that the lease proposals should conform to Model B. The Port's *Waterfront Land Use Plan* requires that a citizens advisory group must provide the Port with input during the preparation of requests for proposals for major development projects. In preparing the RFP, Port staff therefore held of series of public meetings in late 1999 with the Ferry Building

Waterfront Advisory Group to obtain input in creating the Development Concept and establishing the project objectives, including financial objectives. The financial objectives recommended by the Advisory Group included that the developer be required to pay guaranteed minimum rent, percentage rent calculated on the gross receipts of the project, and a share of net sales proceeds. Port staff prepared and reviewed with the Advisory Group project pro formas incorporating this approach which showed the project should be feasible.

The proposed objectives recommended by the Advisory Group and the proposed lease structure were reviewed with the Port Commission in seeking direction in preparing the RFP. The Port Commission supported a lease structure based upon Model B. Model A did not apply to the proposed project, and the Port Commission wanted to avoid a Model C approach with preferred returns. Because of the relatively small size of the proposed project and the expectation that it would primarily involve office uses, the Port Commission did not believe that they needed to offer preferred returns to the developer. In addition, because the leases for both the Ferry Building and Pier 1 involved preferred returns, the Port Commission believed that it was well positioned to realize any enhanced returns from future "hot" office markets. Moreover, the Port Commission did not want exposure to further risks in the Ferry Building Area from weak office markets, whose impact would be accentuated in a preferred return approach. Consequently, on February 8, 2000, the Port Commission authorized issuance of the RFP with requested lease terms that followed Model B. These requested lease terms were included in the RFP when it was issued on March 10, 2000.

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Item 7 - File 03-0890

Note:	This item was continued to the Call of the Chair by the Finance and Audits Committee at its meeting of July 9, 2003.
Department:	Port of San Francisco (Port)
Item:	Resolution approving a new lease agreement between Imperial Parking, Inc. (Imperial), and the City and County of San Francisco operating by and through the San Francisco Port Commission for Imperial to operate a surface parking lot at the Port's Seawall Lot 330, located at the Embarcadero between Bryant and Beale Streets.
Location:	Seawall Lot 330 located at Embarcadero between Bryant and Beale Streets.
Purpose of Lease:	To provide space for the continued operation of a public surface parking lot, which would accommodate approximately 500 vehicles.
Lessor:	City and County of San Francisco
Lessee:	Imperial Parking, Inc.
No. of Sq. Ft.:	Approximately 124,065 square feet.

Proposed Rental Payment By Lessee to City:

Base Rent Under the Proposed Lease Agreement:

$48,280 monthly (approximately $0.39 per square foot per month based on 124,065 square feet of space) or $579,360 annually. Beginning on the first anniversary date of the proposed lease, the Base Rent would be adjusted annually for a cost of living adjustment based on the Consumer Price Index. According to Mr. Jefferey Bauer of the Port, in December of 2003, the Base Rent would be reduced on a pro-rata basis by the conveyance of 22,600 square feet of the subject parcel to San Francisco Cruise Terminal, LLC (see Comment No. 1).

Percentage Rent Under the Proposed Lease Agreement:

Imperial Parking, Inc. shall pay to the Port the greater of 1) the Base Rent or 2) the Percentage Rent calculated at 66 percent of Gross Receipts net of the 25 percent Parking Taxes. According to Mr. Bauer, during the one-year period from June 1, 2002 through May 31, 2003, total Gross

Receipts less Parking Taxes collected by the current lessee, for the operation of the surface parking lot at Seawall Lot 330 totaled $801,775, of which 66 percent is $529,172, which is less than the proposed Base Rent of $579,360 annually.

Utilities and Janitorial Services: All utilities and janitorial services shall be paid for by the lessee.

Term of Lease: The lease term is two years, commencing on August 1, 2003 or upon approval of the Board of Supervisors. The City can terminate the lease, without cause, at any time, upon 60 days notice.

Right of Renewal: None

Lessor's Option to Expand: Under the provisions of the proposed lease, the Port may exercise the option to allow Imperial Parking, Inc. to expand parking operations in space south of the Ferry Building (see Comment No. 2).

Description: The proposed new lease agreement between the Port and Imperial Parking, Inc would authorize Imperial Parking, Inc. to operate a surface public parking lot on City-owned property located at Seawall Lot 330, Embarcadero between Bryant and Beale Streets. Currently, the entire 124,065 square feet parcel is being leased on a month-to-month basis to, and operated by City Parking Company, as a public parking lot, under a previously conducted Invitation for Bids process. According to Mr. Elliot Riley of the Port, under the original two-year lease with City Parking Company, which commenced on February 1, 1999, City Parking Company paid to the Port the greater of 1) the Base Rent in the amount of $47,096 monthly or $565,152 annually, which is $1,184 monthly or $14,208 annually less than the proposed Base Rent to be paid by Imperial Parking, Inc. or 2) the Percentage Rent calculated at 66 percent of Gross Receipts net of the 25 percent Parking Taxes, the same percentage as the proposed lease.

Comments:

1. According to Mr. Bauer, 22,000 square feet of the 124,065 square feet parcel is designated by the Port to be a future condominium development site to be conveyed to the San Francisco Cruise Terminal, LLC in December of 2003. Approval for the conveyance of property was authorized by the Board of Supervisors on July 15, 2003 (File 03-0371). Mr. Bauer reports that when the 22,000 square feet of space is conveyed to the San Francisco Cruise Terminal in December of 2003, the Port anticipates that the San Francisco Cruise Terminal will immediately exercise their option, as provided for in the subject lease agreement, to gain exclusive control over the 22,000 square feet of space.

2. In accordance with the subject lease agreement, immediately upon verbal notice, the Port and/or a condominium developer of the San Francisco Cruise Terminal may enter the subject premises to conduct pre-development inspections and surveys. Additionally, under provisions of the lease agreement, at any time during the subject lease period, the condominium developer may use up to 22,000 square feet of the 124,065 square feet parcel, and thereby reduce the subject leased space in order to, 1) accommodate the construction of a condominium project, 2) provide space for materials and supplies related to construction, or 3) landscape the property. According to Mr. Bauer, any reduction of the leased space resulting from such activities would be offset by a pro-rata reduction of the Base Rent paid by Imperial Parking, Inc.

3. Under the provisions of the proposed lease, the Port may exercise the option to allow Imperial Parking, Inc. to expand parking operations in space south of the Ferry Building. According to Mr. Bauer, the expansion area would consist of approximately 565,500 square feet of space on Pier 30/32 and would accommodate approximately an additional 500 vehicles. Such expanded parking operations are for purposes of accommodating public parking demand related to a potential increase from a) an overflow from the Seawall Lot 330 parking lot, b) special events such as baseball games, c) film companies, and d) special needs such as oversized trucks and tour bus parking. According to Mr. Bauer, Imperial Parking, Inc. would pay the Port additional rent of 66

percent of Gross Revenues per month net of Parking Taxes, resulting from the operation of the expansion area.

4. In January of 2003, the Port issued an Invitation for Bids for the subject lease. Attachment I, provided by the Port, includes the names of all the publications in which the Invitation for Bids was advertised and the dates of those advertisements. According to Mr. Bauer, a major goal of the Port Commission was to encourage the participation of minority-owned and economically disadvantaged businesses and the Port advertised in a wide variety of publications to reach MBE/WBEs. The Port received requests for 41 bid packages and ultimately received bids from six parking lot operators, two of which were MBE/WBEs. Attachment II, provided by the Port, lists the six companies that responded to the Invitation for Bids and the monthly bid amounts submitted by each. As reported by the Port in Attachment II, Imperial Parking, Inc. was "the highest responsive bidder eligible for the award of this contract."

5. Mr. Riley of the Port declined to comment to the Budget Analyst concerning the Parking Tax violation issues pertaining to Imperial Parking, Inc. which were raised at the Finance and Audits Committee meeting of July 9, 2003.

Recommendations: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Qiao Lin
06/02/03 10:20 AM

To: Jeff Bauer/SFPORT/SFGOV@SFGOV
cc: Warren Young/SFPORT/SFGOV@SFGOV
Subject: Ads for the RFP of Imperial Parking at Seawall Lot 330

Here is the ads I copied from AdTech regarding the RFP. Thanks.

Qiao Yi

AdTech

Orders Created : Total Orders:

Status	Order No	Notice Description	Ad Description	Created Date	Pubdates	Length	Price
Newspaper Name ASIAN WEEK-S.F.							
19	488055	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/06/03, 02/13/03, 02/20/03, 02/27/03	1.00	
Newspaper Name EL MENSAJERO							
21	494397	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/02/03, 02/09/03,	.00	

					02/16/03, 02/23/03	

Newspaper Name MERCURY NEWS

21	49441 5	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/03/03, 02/10/03, 02/17/03, 02/24/03	.00

Newspaper Name PHILIPPINE NEWS

21	48805 5	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/05/03, 02/12/03, 02/19/03, 02/26/03	.00

Newspaper Name SAN FRANCISCO BAYVIEW/SF CITY-COUNTY

21	49440 3	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/05/03, 02/12/03, 02/19/03, 02/26/03	1.00

Newspaper Name SAN FRANCISCO CHRONICLE

19	49440 7	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/02/03, 02/16/03	1.00

Newspaper Name SAN FRANCISCO INDEPENDENT 90%

21	48805 6	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/04/03, 02/13/03, 02/18/03, 02/27/03	1.00

Newspaper Name

Newspaper Name: THE OAKLAND TRIBUNE							
19	49441 1	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/08/03, 02/15/03, 02/22/03, 03/01/03	1:00	

City and County of San Francisco

Willie Lewis Brown, Jr.
Mayor

Human Rights Commission

Contract Compliance
Dispute Resolution/Fair Housing
Minority/Women/Local Business Enterprise
Lesbian Gay Bisexual Transgender & HIV Discrimination

Virginia M. Harmon
Executive Director

MEMORANDUM

TO: Ken Winters, Director Real Estate, Port of San Francisco.
Mark Lozovoy, Asst. Deputy Director, Port of San Francisco.
Elliott Riley, Project Manager, Port of San Francisco.

FROM: Selormey Dzikunu, Contract Compliance Officer
Human Rights Commission

DATE: April 14th, 2003

RE: Award Eligibility for SWL 330 Parking Lot Operations

The Human Rights Commission ("HRC") has evaluated the bids submitted for the above referenced RFP for compliance with HRC requirements. Six firms submitted bids and the HRC and Port staff evaluated all six bids including: Tower Valet, Imperial Parking, City Parking, Bayside Village Associates, Priority Parking and Pacific Park Mgmt. Inc.

BIDDER	CERTIFICATION STATUS	BID AMOUNT	RESPONSIVE	RANKING
TOWER VALET	NONE	$51,500.00	NO	NONE
IMPERIAL PARKING	NONE	$48,280.00	YES	1
CITY PARKING	NONE	$40,700.00	-	2
BAYSIDE VILLAGE	NONE	$36,960.00	-	3
PRIORITY PARKING	MBE	$34,242.00	-	4
PACIFIC PARK MGMT	MBE	$33,502.00	-	5

After reviewing Tower Valet Parking Inc's proposal Port staff determined that it did not meet the minimum bidder qualifications and the proposal was deemed non-responsive.
Paragraph IV (Bidder Qualifications) of the RFP required all bidders to,

> *"have managed not less than 240 parking spaces with combined monthly gross revenue of at least $20,000 (including parking taxes) for a minimum of twenty-four (24) consecutive months within the past five (5) years. In the case of a joint venture at least one of the partners must satisfy this requirement."*

Tower Valet did not meet the above requirement. Additionally Port staff determined that the Dun and Bradstreet report of annual sales for Tower Valet, reflected estimated sales of only $120,000 for a one year period (2000) with no availability of sales records for prior years.

25 Van Ness Avenue
Suite 800
San Francisco

TEL (415) 252-2500
FAX (415) 431-5764
TDD (415) 252-2550

The Project Manager in a letter dated March 28, 2003 informed Tower Valet Parking Inc. of the Port staff determination. As of April 14^{th}, 2003 no protest or explanations have been received from Tower Valet Parking, Inc. The HRC concurs with Port staff's determination of Tower Valet's proposal as non-responsive.

Imperial Parking (U.S.) Inc., the second highest bidder's RFP was reviewed and deemed responsive to all the RFP's requirements. Imperial Parking Inc's proposal is also responsive to all HRC requirements. Based upon the foregoing, the HRC declares Imperial Parking (U.S.) Inc. the highest responsive bidder eligible for the award of this contract. If you have any questions, please do not hesitate call me at (415) 274-0511

Item 9 - File 03-1170

Department: Airport

Item: Resolution approving a new five year Lease between the Airport and the U.S. Transportation Security Administration (TSA) for office space to be occupied by the TSA at the San Francisco Airport's International Terminal.

Location: Blocks A and B in the San Francisco International Terminal and 50 reserved, secured parking spaces on the fourth level of the Domestic Parking Garage, located in the middle of the three domestic terminals. Block A is located on the Third Floor of the Center Block Building of the International Terminal. Block B is located on the Fifth Floor of the South Shoulder Building of the International Terminal.

Purpose of Lease: The proposed new five-year Lease consists of approximately 7,806 square feet of space in the International Terminal to provide for administrative office space for the Federal Transportation Security Administration (TSA), the Federal Agency that is responsible for ensuring aviation security at all U.S. airports, including San Francisco International Airport. The subject lease also provides the TSA with the first right of opportunity[1] to lease an additional 6,745 square feet of space, designated as Blocks C and D, in the International Terminal. Blocks C and D are located next to Block B on the Fifth Floor of the South Shoulder Building of the International Terminal.

Lessor: City and County of San Francisco acting by and through its Airport Commission.

Lessee: Federal Transportation Security Administration (TSA)

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[1] According to Ms. Artz, the right of first opportunity means that if a third party wishes to rent Block C and/or D, the TSA has the opportunity to lease the space before the contract with the third party is executed on terms to be negotiated, except for rent which will be at the then current Category III rate. (According to Ms. Artz, Category III is defined as administrative and operations offices that are located in areas outside of the mezzanine or concourse levels of the International or Domestic terminals.) Ms. Artz advises that the right of first opportunity is different from the right of refusal which would give the TSA the opportunity to match the terms of a proposed contract with a third party.

No. of Sq. Ft.: Approximately 7,806 square feet of space and the right of first opportunity to expand the leased space by up to an additional 6,745 square feet of space.

Annual Rent Payable by the U.S. Government to the Airport: The proposed Lease would require the TSA to pay the Airport annual rent totaling $732,392 or based on a blended annual rent per square foot of $93.82 including operating costs for janitorial services and re-lamping of light fixtures as follows:

Block	Total Square Feet	Annual Rent	Rent per Square Foot per Year
A	606	$80,864	$133.44
B	7,200	651,528	90.49
Total	**7,806**	**$732,392**	**$93.82***

*Blended rental rate per square foot is calculated by dividing total annual rent by total square feet.

According to Ms. Diane Artz of the Airport, the annual rent of $732,392 is comprised of a Base Rent of $696,641 and an Operating Costs of $35,751. Ms. Artz advises that the Base Rent would remain the same over the proposed five year lease term with no cost of living increases because it is against the policy of the U.S. General Service Administration (GSA) to enter into leases in which the base rent increases by some yet-to-be-determined value, such as the Consumer Price Index. Operating Costs, however, will be adjusted for cost of living increases beginning with the second year of full occupancy, as stated in the proposed lease.

The rent, which is to be paid on a monthly basis, would commence progressively, as the TSA takes occupancy of Block A and Block B and would be prorated based on the actual amount of space occupied for the actual time occupied. Attachment I, a memorandum provided by Ms. Artz, explains the current status of the TSA's occupancy of the leased space and the schedule for TSA to completely occupy all of the subject 7,806 square feet. Ms. Artz reports that "Assuming the Lease is fully executed by August 30, 2003, retroactive rent will equal $67,387, representing a 10-month period. As of this date, none of the retroactive rent has been paid, as the TSA is prohibited from paying rent until full execution of the

Lease." The 10-month period described above is from November 1, 2002 through August 31, 2003.

Term of Lease: The term of the Lease is five years, commencing retroactively to November 1, 2002 and expiring October 31, 2007. Additionally, the TSA may terminate the Lease in whole or in part after the third year of the term upon giving the Airport 120 days of advance written notice. There is no right of renewal following the five-year lease period.

Utilities and Janitor Provided by Lessor: As previously stated, TSA, the Lessee, would pay to the Airport annual operating costs including the costs for janitorial services and re-lamping of light fixtures at the rate of $4.58 per square foot per year or $35,751 for the subject 7,806 square feet of leased space, adjusted for the cost of living. As described in Attachment I, additional costs for utilities will be billed separately by the Airport based on actual meter readings and additional costs for maintenance will be billed separately by the Airport on an as-needed basis based on the Airport's actual costs to perform such maintenance work.

Tenant Improvements: According to Ms. Artz, Block A is finished office space and requires no improvements. Blocks B, C, and D are "core and shell space" and require improvements to become suitable administrative office space. Under the proposed lease, the TSA will construct all tenant improvements at its sole cost and be fully responsible for building out the space. According to Mr. Mike Bernatz, of the U.S. General Services Administration (GSA), the estimated construction cost to build out the space would range between $60.00 to $80.00 per square foot at an estimated total cost of $432,000 to $576,000 for 7,200 square feet for the needed improvements in Block B. According to Ms. Artz, no improvements are needed for the 606 square feet of Block A because that space was already suitable for office space use when the TSA took occupancy in November of 2002.

Description: The proposed resolution would authorize a new five-year lease with the TSA of 7,806 square feet, located at Block A and Block B in the Airport's International Terminal for office space for the TSA. According to Ms. Artz, neither Block A nor B has been previously occupied.

On June 25, 2003, the Airport Commission approved the subject lease. The Airport negotiated the Lease with the GSA.

Comments:

1. According to the Airport Director's memorandum to the Airport Commission, dated June 25, 2003 (Attachment II), the TSA took occupancy of Block A in November of 2002. The TSA has projected that full occupancy of Block B will occur by mid-January of 2004. Additionally, the Director's Memorandum states that the Airport provided the TSA with the space, known as Block A, with the understanding that such space would be incorporated into a formal lease with rent to be charged retroactively based on the actual occupancy of the space.

2. According to Ms. Artz, the proposed lease was awarded to the TSA on a sole source basis because the TSA is the sole entity mandated by the Federal Government to ensure aviation security at all U.S. airports. The rent was established based on the Airport's Rates and Charges schedule for terminal rents. The other lease provisions including the term of the lease, parking, and operating costs were all negotiated between the Airport and the GSA.

3. According to the Director's memorandum (Attachment II), the TSA may need additional space in the future to support administrative and training functions. Accordingly, the subject lease between the Airport and the GSA also provides the TSA with the right of first opportunity to lease up to an additional 6,745 square feet at Blocks C and D in the International Terminal if the TSA secures the necessary funding from the Federal government. According to Ms. Artz, the Airport has identified this additional 6,745 space which is in unimproved "core and shell" condition; consequently, if the TSA expanded into this additional space, the TSA would be responsible for completing all tenant improvements at its sole cost.

4. The 50 reserved parking spaces to be provided to the TSA under the subject lease are located on the fourth level of the Domestic Parking Garage which is located in the middle of the Airport's three domestic terminals. According to Ms. Artz, the fourth level, which contains a total of 852

parking spaces, is a designated employee parking area for Airport, airline, government, and other tenant employees. According to Ms. Artz, the 50 reserved parking spaces are currently not being utilized. Ms. Artz advises that, under the proposed lease, these parking spaces will be provided at no cost to the TSA because it is Airport practice to provide employee parking to key federal agencies without charge.

5. Attachment I, the memorandum from Ms. Artz, also explains why the proposed Lease was submitted to the Board of Supervisors on June 27, 2003, approximately eight months after the TSA took occupancy of the subject premises on November of 2002.

Recommendation: Approve the proposed resolution.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Harvey Rose, Budget Analyst Office **DATE:** July 23, 2003

FROM: Diane Artz, Sr. Property Manager, SFO

SUBJECT: **Approval of Lease with United States of America**

This responds to the questions posed by Theresa Lo on July 22, 2003, relating to the proposed Lease with the United States of America for administrative offices for the Transportation Security Administration ("TSA").

1. Explain why the proposed Lease was transmitted to the Board of Supervisors eight months after the TSA took partial occupancy of space at the Airport.

   In the fall of 2002, the first TSA personnel arrived at the Airport and were tasked with forming a local organizational structure, including the sizing of, and funding for, appropriate staffing and facilities. The TSA needed a base office from which to work in order to achieve this goal. In light of the critical nature of better securing San Francisco International Airport, and in an effort to facilitate this new federal security initiative, the Airport provided an office comprised of 606 square feet in the International Terminal with the understanding that it would be included in the soon-to-be-developed Lease. The TSA and Airport agreed that the rent for administrative space used prior to execution of the Lease would be paid retroactively.

   Development of the organizational structure, including identifying staffing and facilities needs and procuring federal funding, evolved over a period of many months. While the TSA arrived in November of 2002, it did not finalize its organizational structure until February of 2003. It was not until February 28, 2003 that the General Services Administration ("GSA") transmitted a Solicitation for Offers, which specified the TSA's space requirements, to the Airport for its review. This initiated the formal lease negotiation process. Negotiation of the terms and form of the proposed Lease occurred over a period of several months, culminating with approval of the Lease by the Airport Commission on June 25, 2003. The proposed Lease was then transmitted to the Board of Supervisors on June 27, 2003. All of these factors contributed to the retroactive nature of this proposed Lease.

2. Please summarize the timeline for occupancy of the space.

   The TSA moved into 606 square feet of office space (Block A) in November 2002 and has not moved into any additional space since that time. It has since

determined that it requires 7,200 square feet of additional space (Block B) in order to fully house its administrative staff. This space is in shell condition, requiring full build-out into functional office space. The TSA has its design documents in-hand but cannot proceed with construction until the Lease is fully executed. Once executed, the TSA projects a four to five month project including permitting, mobilization, construction and move-in. If the Lease is executed by mid-August, occupancy of Block B should occur by mid-January, at which time, the TSA will be in full occupancy of both Blocks A and B, as defined under the Lease.

3. Describe the Right of First Opportunity Provision of the Lease.

Currently, the TSA has a staff of 50 employees, with expected growth to 75 in the future. The TSA indicates that it may need additional space to support this growth and for training functions. Airport staff has identified two blocks of space in core and shell condition near Block B on the fifth floor of the South Shoulder Building, comprised of 6,745 square feet. Such expansion will be contingent upon the TSA obtaining the necessary funding from the Federal government for the incremental rent and the cost of improvements.

The Lease will grant the TSA the First Right of Opportunity to expand into Block C and/or Block D pursuant to a specific notification process set forth in the Lease. The rent will be based on the then current Category III rates.

4. Explain the rent payable under the Lease and how it will be paid.

The rent is comprised of a Base Rent, based on the Airport's Rates and Charges schedule, plus an Operating Cost. The Operating Cost represents the Airport's cost to provide certain services, including janitorial service and re-lamping of light fixtures. The rent is paid monthly in arrears, as is customary with all federal leases. Further detail on the computation of the rent is provided below.

Block	Eff. Date	CAT	Square Feet	Base Rent Per Sq. Ft. Per Year	Operating Cost Per Sq. Ft. Per Year	Total Rate Per Sq. Ft. Per Year	Rent Per Year	Rent Per Month
A	11/1/2002	II	606	$ 128.86	$ 4.58	$ 133.44	$ 80,864.64	$ 6,738.72
B	TBD	III	7,200	$ 85.91	$ 4.58	$ 90.49	$ 651,528.00	$ 54,294.00
			7,806				$ 732,392.64	$ 61,032.72
C	TBD	III	2,220	$ 85.91				
D	TBD	III	4,525	$ 85.91				
			6,745					

Based on the data above, and assuming that full occupancy is achieved on January 1, 2004, the Airport will receive rent for certain defined periods as shown below. Note that these figures do not reflect the annual adjustments to the Operating Cost.

Period	Rent
Nov. 2002 through Dec. 2004 (14 months prior to occupancy of Block B)	$ 94,342
Jan. 2004 through Oct. 2007 (46 months of Full Occupancy)	$2,807,505
Total Rent over the Term	$2,901,847

Assuming the Lease is fully executed by August 30, 2003, retroactive rent will equal $67,387, representing a 10-month period. As of this date, none of the retroactive rent has been paid, as the TSA is prohibited from paying rent until full execution of the Lease.

5. Besides the $4.58/square foot for janitorial and re-lamping, are there any additional costs that must be paid by the TSA?

   Yes, the TSA will be billed separately a) for utilities, based on actual meter readings, and b) for maintenance on an as-needed basis, based on actual costs to perform the work.

San Francisco International Airport

Attachment II
Page 1 of 3

P.O. Box 8097
San Francisco CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

MEMORANDUM

June 25, 2003

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
WILLIE L. BROWN JR. MAYOR
HENRY E. BERMAN PRESIDENT
LARRY MAZZOLA VICE PRESIDENT
MICHAEL S. STRUNSKY
LINDA S. CRAYTON
CARYL ITO
JOHN L. MARTIN AIRPORT DIRECTOR

FROM: Airport Director

SUBJECT: Approval of a Lease with the U.S. Government

DIRECTOR'S RECOMMENDATION: ADOPT THE ACCOMPANYING RESOLUTION 1) APPROVING LEASE GS 09B-01349 WITH THE U.S. GOVERNMENT FOR OFFICE SPACE TO BE OCCUPIED BY THE TRANSPORTATION SECURITY ADMINISTRATION AT THE INTERNATIONAL TERMINAL, AND 2) DIRECTING THE COMMISSION SECRETARY TO FORWARD THE LEASE TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Background

On November 19, 2001, the Federal government passed the Aviation and Transportation Security Act, thereby creating the Transportation Security Administration (the "TSA"). The TSA is responsible for ensuring aviation security at all airports, including San Francisco International Airport. In the fall of 2002, the first TSA personnel arrived at San Francisco International Airport ("Airport" or "SFO") to begin development of its local organizational structure and define appropriate staffing levels and space requirements.

In recognition of the evolving nature of the TSA, Airport staff provided interim space in the International Terminal, with the understanding that all space would be incorporated into a soon-to-be-developed lease, with rent to be charged retroactively based on progressive occupancy dates for various parcels of space. The TSA has now completed its development cycle, resulting in a staff of 50 employees with expected growth to as high as 75 in the near term. To date, the TSA has taken possession of approximately 606 square feet of office space for administrative functions.

THIS PRINT COVERS CALENDAR ITEM NO. 3

Before the end of 2003, it plans to take possession of, and build out, 7,200 square feet of core and shell space for its permanent administrative offices at SFO. While current staffing and operational needs have been clarified, the TSA indicates that further growth is probable and therefore it may need additional space in the future to support administrative and training functions. Such expansion will be contingent upon the TSA obtaining necessary funding from the Federal government.

Airport staff has identified approximately 14,551 square feet of space that will satisfy current and future space requirements in the International Terminal. Of this space, approximately 96% is in core and shell condition. The TSA will be responsible for completing all tenant improvements in this core and shell space, at its sole cost and expense.

<u>Proposal</u>

Airport staff has negotiated Lease No. GS 09B-01349 (the "Lease") for terminal space to accommodate the TSA's administrative offices. The proposed Lease provides for the following major business terms:

1. **Permitted Use.** Administrative offices.
2. **Premises.** Approximately 7,806 square feet of space comprised of:

   Block A: 606 sq.ft. of Cat II space - Center Block Building

   Block B: 7,200 sq. ft. of Cat III space - South Shoulder Building
3. **Premises Expansion.** The TSA will be granted a first right of opportunity to lease up to 6,745 square feet of additional Cat III space on the 5th floor of the South Shoulder Building.
4. **Term.** Five (5) years, commencing November 1, 2002. During the Term, the TSA will take possession of the aforementioned Blocks in a progressive manner as specified in item #6 below. Rent will increase accordingly.
5. **Early Termination Right.** Upon 120 days written notice, the TSA may terminate the Lease, in whole or in part, after the third year of the term.
6. **Base Rent and Occupancy Dates.** Upon full occupancy, the annual rent will be $732,392.64, which will be achieved as follows:

Block	Occupancy Date	Annual Rent
Block A	November 1, 2002	$ 80,864.64
Block B	Estimated - Nov. 2003	$651,528.00

7. **Operating Expense.** As part of the rent, Tenant will pay $4.58 per square foot per year for janitorial services and re-lamping of light fixtures.

8. **Rent Adjustment.** The Operating Expense will be adjusted annually, either up or down, based on the Consumer Price Index for All Urban Consumers, San Francisco-Oakland-San Jose, CA, with the first adjustment effective on the first anniversary date of the Full Occupancy Date. The remainder of the rent will be fixed throughout the term.

9. **Parking.** Up to fifty (50) employee parking spaces.

10. **Utilities.** At tenant's expense.

11. **Maintenance.** The Airport will maintain the base building HVAC system. The Tenant will maintain HVAC system(s) installed as part of the tenant improvements and all other repairs.

The Human Rights Commission has granted a Sole Source Exemption and Waiver of the provisions of Chapters 12B and 12C (EBO) of the San Francisco Administrative Code and 2) the Office of Contract Administration has granted a Public Entity Exemption of Sections 12Q and 12P (HCAO and MCO respectively) of the San Francisco Administrative Code.

Recommendation

I recommend adoption of the accompanying Resolution that 1) approves Lease GS 09B-01349 with the U. S. Government with a term of 5 years for space to be occupied by the Transportation Security Administration at the International Terminal, and 2) directs the Commission Secretary to forward the Lease to the Board of Supervisors for approval.

John L. Martin
Airport Director

Prepared by: Leo Fermin

JLM/LF/GF/DA:amm
bcc: Admin./Chron./File
X:\AVI\TENANTS\GOVERNMENT\CommPkgs\TSA lease - Admin Offices.doc

Item 10 - File 03-1245

Department: Department of Human Resources (DHR)

Item: Ordinance adopting and implementing Amendment No. 1 to the FY 2003-2004 through FY 2004-2005 Memorandum of Understanding between the Cement Masons, Local 580 and the City and County of San Francisco by amending Article III.O. to correct a clerical omission by inserting a Long-Term Disability provision.

Description: The proposed ordinance would approve Amendment No. 1 to an existing two-year Memorandum of Understanding (MOU), for the period of July 1, 2003 through June 30, 2005, between the Cement Masons, Local 580 and the City and County of San Francisco. The subject MOU was adopted by the Board of Supervisors on May 20, 2003 (File No. 03-0722). The proposed amendment would add a Long-Term Disability provision which would provide to members of the Cement Masons, Local 580, who have at least six months of continuous service, a Long-Term Disability plan through the private disability insurance provider UnumProvident. The plan would provide such City employees, who are medically disabled, due to either a work-related injury or illness or due to non-work related injuries or illnesses, with medical disability pay at the rate of 60 percent of the employee's regular salary, if such employees are declared by their physician as medically disabled or ill and unable to work. The medical disability pay would not begin until the employee was absent from work for 180 consecutive calendar days, according to Ms. Alice Villagomez of the Department of Human Resources (DHR). Ms. Villagomez states that the plan authorizes the payment of medical disability pay for City employees under the age of 65. Ms. Villagomez states that City employees over the age of 65 would not be eligible for disability pay. According to Ms. Villagomez, the Long Term Disability provision was inadvertently omitted, due to a clerical error, from the subject MOU as previously approved by the Board of Supervisors.

Comments: 1. According to Ms. Villagomez the proposed Long Term Disability provision is consistent with similar provisions contained in 27 of 46 City MOUs listed in Attachment I, provided by Ms. Villagomez.

2. According to Ms. Villagomez, there are approximately 24 Cement Masons including 20 working for the Department of Public Works, three working for the Recreation and Park Department, and one working for the Convention Facilities Management Division of the Department of Administrative Services, who would be eligible to receive long-term disability insurance as a result of the proposed amendment. Ms. Villagomez reports that the proposed amendment would authorize medical disability pay to all applicable positions retroactive to July 1, 2003 upon approval by the Board of Supervisors and the Mayor. Ms. Villagomez notes that none of the existing 24 Cement Masons would receive retroactive pay as a result of the proposed amendment.

3. Ms. Villagomez reports that the proposed long-term medical disability pay would be provided to City employees who are receiving disability pay provided by the City for work-related injuries through the City's Workers' Compensation Program. However, the combined disability pay from the City's Workers' Compensation Program plus the disability pay from the proposed insurance coverage could not exceed 60 percent of the employee's regular salary.

4. As shown in Attachment II provided by the Controller's Office, the Controller's Office estimates that the cumulative cost of the subject amendment, above the existing FY 2002-2003 MOU provisions, would be $9,239 over the two-year period from July 1, 2003 through June 30, 2005.

Recommendation: Approve the proposed ordinance.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Memorandums of Understanding
(LTD Provision)

No.	union code	CONTRACT	LTD
1	1	Misc. Unrepresented, Ordinance	YES
2	104	Sheet Metal Workers, Local 104	YES
3	130	Auto. Machinists, Local 1414	NO
4	16	Theatrical Stage Employees, Local 16	YES
5	164, 163	Physicians & Dentists (UAPD), 8-CC UAPD, 11-AA	YES
6	2	Misc. Unrepresented, Ordinance 2	NO
7	200	Transport Workers' Union, Local 200	YES
8	21, 22	Professional & Tech, Local 21	YES
9	216	Teamsters, Local 853	YES
10	236	Carpenters, Local 22	YES
11	250, 535, 790	SEIU, Locals 250, 535, & 790	YES
12	251	TWU, Local 250A, Multi Unit	YES
13	252	TWU, Local 250A, Class 7410	YES
14	253	TWU, Local 250A, Class 9163	NO
15	261	Laborers Internat'l, Local 261	YES
16	3	Operating Engineers, Local 3	NO
17	311	Municipal Attorneys' Ass'n	YES
18	34	Pile Drivers, Local 34	YES
19	350	Teamsters, Local 350	NO
20	351	MEA, Units M & EM	NO
21	352	MEA – Fire (No New MOU Yet)	NO
22	353	MEA – Police(No New MOU Yet)	NO
23	377	Ironworkers, Local 377	YES
24	38	Plumbers, Local 38	YES
25	39	Stationary Engineers, Local 39	YES
26	4	Painters, Local 4	YES
27	40	Roofers, Local 40	YES
28	419	District Attorney Investigators' Ass'n	NO
29	498	Deputy Sheriffs' Association	NO

Memorandums of Understanding
(LTD Provision)

30	580	Cement Masons, Local 580	PENDING
31	6	Electrical Workers, Local 6	NO
32	651	Probation Officers Ass'n	NO
33	66	Plasterers, Local 66	YES
34	7, 36	Bricklayers Local 3 & Hodcarriers, Local 36	YES
35	718	Glaziers, Local 718	YES
36	791	SEIU, Local 790 Nurses	YES
37	793	SEIU, Local 790 H-1 Fire Rescue Paramedics(No New MOU Yet)	NO
38	798, 799	Firefighters, Local 798 (Unit 1), Firefighters, Local 798 (Unit 2)	NO
39	800	SEIU, Local 790 Per Diem Nurses	NO
40	856	Teamsters, Local 856	YES
41	858	Supervising Nurses, Teamsters, Local 856	YES
42	911	POA, Local 911	NO
43	930, 929	Building Inspectors, Classes 6331 & 6333	YES
44	965	Supervising Probation Officers, Local 3	NO
45	969	SF Institutional Police	YES
46	981	Calif. Ass'n of Interns & Residents	NO

27 of 46 MOUs currently have an LTD provision

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

July 22, 2003

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: File Number 031245
Amendment to Memorandum of Understanding (MOU) with Cement Masons Local 580

Dear Ms. Young,

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the MOU between the City and County of San Francisco and Cement Masons Local 580. The amendment covers the period July 1, 2003 through June 30, 2005, and affects 24 authorized positions with a salary base of approximately $1.3 million and a total pay and benefits base of approximately $1.6 million.

The amendment corrects a clerical omission by inserting language providing long-term disability coverage, which will increase costs by approximately $4,600 in FY 2003-2004, or approximately 0.3% above the overall pay and benefits base. Please see Attachment A for specific estimates.

If you have additional questions or concerns please contact me at 554-7500 or Peg Stevenson of my staff at 554-7522.

Sincerely,

Peg Stevenson for
Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

415-554-7500 City Hall • 1 Dr. Carlton B. Goodlett Place • Room 316 • San Francisco CA 94102-4694 FAX 415-554-7466

Attachment A
Cement Masons Local 580
Estimated Costs/(Savings) FY 2003-2004 and FY 2004-2005
Controller's Office

Annual Costs/(Savings)	FY 2003-2004	FY 2004-2005
Premiums and Benefits		
Long-term disability	$4,619	$0
Wage-Related Fringe Increases/(Decreases)	$0	$0
Total Estimated Incremental Costs/(Savings)	$4,619	$0
Annual Amount Above/(Below) 2002-2003	$4,619	$4,619
Cumulative Total Above/(Below) 2002-2003 Provisions		$9,239
Incremental Cost % of 2002-2003 Total Pay & Benefits	0.3%	0.0%

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

City Hall
1 Dr. Carlton B
Goodlett Place
San Francisco, CA
94102-4689

Tuesday, August 05, 2003 | **10:00 AM** | **City Hall, Room 263**

Special Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

MEETING CONVENED

The meeting convened at 10:10 a.m.

REGULAR AGENDA

030743 **[Lease, Parking Agreement and Negative Declaration for Piers 1½, 3 and 5]**

Supervisor Peskin

Resolution approving and authorizing a 66-year Lease with San Francisco Waterfront Partners, LLC for Piers 1½, 3 and 5, Approving Related Parking Agreement, and Adopting Findings of Mitigated Negative Declaration pursuant to California Environmental Quality Act.

(Public Benefit Recipient.)

4/29/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

7/23/03, CONTINUED. Heard in Committee. Speakers: Douglas Wong, Byron Rhett, Jennifer Sobol, Port of San Francisco; Neil Sekhri, Deputy City Attorney; Ernestine Weiss; Charles Chase, SF Architectural Heritage; Simon Snellgrove, San Francisco Waterfront Partners; Harvey Rose, Budget Analyst.
Continued to 7/30/03.

7/30/03, CONTINUED. Speakers: None.
Continued to 8/5/03.

Heard in Committee. Speakers: Douglas Wong, Byron Rhett, Kirk Bennett, Port of San Francisco; Simon Snellgrove, SF Waterfront Partners; Julia Villarera; Cathy Merrill, Northeast Waterfront Advisory Group.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030890 **[Lease Agreement with Imperial Parking]**

Resolution approving lease agreement with Imperial Parking (U.S.), and the City and County of San Francisco operating by and through the San Francisco Port Commission to operate a surface parking lot at Seawall Lot 330, Embarcadero between Bryant and Beale Streets. (Port)

(No Public Benefit Recipient.)

5/14/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

7/9/03, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Elliott Riley and Jeff Brown, Port of San Francisco.

7/30/03, CONTINUED. Heard in Committee. Speaker: Elliott Riley, Port of San Francisco.

Continued to 8/5/03.

Heard in Committee. Speakers: Elliott Riley, Port of San Francisco; David Frieders, Department of Consumer Assurance; Ted Lakey, Deputy City Attorney; Jim Reuben, Reuben & Alter.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031264 **[Release of Reserved Funds, Department of Elections]**

Hearing to consider release of reserved funds, Department of Elections, (File 030845: Ordinance No. 169-03), in the amount of $250,000 for funding outreach for ranked-choice voting for the November 4, 2003 election. (Elections Department)

7/24/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Department requests this item be scheduled for consideration at the July 30, 2003 meeting

7/30/03, CONTINUED. Speakers: None.

Continued to 8/5/03.

Heard in Committee. Speakers: John Arntz, Department of Elections; Steven Hill, Ed Harrington, Controller.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Sandoval

Absent: 1 - McGoldrick

ADJOURNMENT

The meeting adjourned at 10:59 a.m.

[Budget Analyst Report]
Susan Hom
Main Library-Govt. Doc. Section

CITY AND COUNTY OF SAN FRANCISCO

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BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 31, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: August 5, 2003 Special Finance and Audits Committee Meeting

Item 1 – File 03-0743

Note: This item was continued by the Finance and Audits Committee at its meeting of July 30, 2003.

Department: Port of San Francisco

Item: Resolution approving and authorizing a 50-year lease with a 16-year renewal option between the Port and San Francisco Waterfront Partners I, LLC for Piers 1½, 3 and 5, approving the related Parking Agreement, and adopting Findings related to the Mitigated Negative Declaration prepared pursuant to the California Environmental Quality Act (CEQA).

Location: Piers 1½, 3 and 5 between Washington Street and Broadway, San Francisco.

Purpose of Lease: To develop the buildings on Piers 1½, 3 and 5 (collectively known as the "Piers Project").

Under the proposed lease between the Port and San Francisco Waterfront Partners I, LLC, the lessee, San Francisco Waterfront Partners I, LLC, would renovate, repair, and restore the historic Piers 1½, 3 and 5, to be used for retail, office, and public spaces, at an estimated total cost of $44,000,000, which, according to the Port, would make the piers an active part of the waterfront, generating rental income for the Port.

Description: The proposed resolution would authorize:

(a) A new 50-year lease (with a 16-year renewal option) between the Port and San Francisco Waterfront Partners I, LLC, for 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5, which are under the jurisdiction of the Port.

(b) A new 50-year Parking Agreement between the Port and San Francisco Waterfront Partners I, LLC (with a 16-year renewal option) for 25 parking spaces. The Port has negotiated on behalf of San Francisco Waterfront Partners I, LLC, for Hornblower Yachts, Inc., an existing maritime tenant which leases 80,701 square feet of Pier 3 space, to provide San Francisco Waterfront Partners I, LLC with 25 parking spaces at Pier 3 at market rates. In the future, if a new parking garage is built nearby on Port property, 20 of the spaces required by San Francisco Waterfront Partners I, LLC might be located at that new parking garage.

San Francisco Waterfront Partners I, LLC would spend an estimated $44,000,000 for total project costs to construct the following on the existing 71,767 of wharf space and open water areas at Piers 1 ½, 3 and 5:

- Approximately 15,785 square feet for three food and beverage establishments on the ground floor.
- No more than 60,017 square feet of Class A office space (excluding common areas), primarily above the ground floor. The Port has an option to expand its administrative offices into a portion of this space on the second floor (see Comment No. 6).
- Approximately 1,400 square feet for a new sales and ticket office for Hornblower Yachts, Inc., an existing maritime tenant of the Port's on the adjacent open portion of Pier 3 (which is outside the scope of the Piers Project),[1] provided Hornblower Yachts, Inc. exercises its option to sublease this space. If

[1] The open portion of Pier 3 is presently leased to Hornblower Yachts, Inc. and is not part of the Piers Project. The Port currently maintains the access ways from the Embarcadero to that portion of Pier 3. The Port has performed emergency substructure repairs to the Pier 3 access ways at a cost of $2,400,000.

Hornblower Yachts, Inc. exercises its option, Hornblower Yachts, Inc. would be required to pay for any tenant improvements.

- Approximately 31,071 square feet of public access, including a boat dock for water taxis and temporary berthing for recreational boats at Pier 1½, bayside walkways between Pier 1 and Pier 7, and an interior Bayside History Walk through Piers 1½ and 3, which includes plaques and displays depicting the piers' history.

Mr. Bennett advises that the Piers Project, as described above will total approximately 108,273 square feet, or 36,506 square feet more than the 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5 due to the internal addition of mezzanine floors and second floors within the buildings on Pier 3 and Pier 5, and the construction of a public berthing/water taxi dock.

Under the proposed lease, San Francisco Waterfront Partners I, LLC would be responsible for making all repairs and for maintaining the structure, substructure, and public access areas of Piers 1½, 3 and 5. San Francisco Waterfront Partners I, LLC would receive from the Port up to $10,000,000 in rent credits for the cost of repairs to the piers' substructures within a maximum of 15 years (see Rent Credits Section below).

Lessor: San Francisco Port Commission

Lessee: San Francisco Waterfront Partners I, LLC, a California limited liability company. San Francisco Waterfront Partners I, LLC is a wholly-owned subsidiary of San Francisco Waterfront Partners, LLC, a joint venture consisting of:

- Putnam Waterfront Partners, LLC (managing member). Putnam Waterfront Partners is a joint venture of Mr. Donald Putnam, Mr. Simon Snellgrove,

Mr. Jeffrey Lewis, and Primus Infrastructure Company, LLC (co-development manager).[2]

- The California State Teachers' Retirement System (CalSTRS). CalLSTRS would provide 100 percent of the debt financing and $13,100,000 of the equity required for the project, which is approximately 29.8 percent of the total project cost of $44,000,000.

No. of Sq. Ft. 71,767 square feet of existing wharf space and open water areas at Piers 1½, 3 and 5.

Rent Payable by San Francisco Waterfront Partners I, LLC to the Port: Minimum Rent

Under the proposed lease, because the substructures under the buildings at Piers 1½, 3 and 5 have been condemned, there would be no Minimum Rent payable to the Port during the construction period estimated to last for a maximum of 24 months. However, once a certificate of occupancy is issued, or 24 months after lease commencement, whichever occurs first, San Francisco Waterfront Partners I, LLC would be required to pay the Port a Minimum Rent of $500,000 annually (before rent credits, as explained below), payable in monthly installments of $41,667.

Under the proposed lease, the Minimum Rent would be increased every five years by the cumulative increase in the Consumer Price Index (CPI) over that five year period, with a minimum increase of 10 percent and a maximum increase of 20 percent regardless of whether the cumulative CPI increase over five years is less than 10 percent or greater than 20 percent.

Under the proposed lease, the Minimum Rent would be further adjusted at the end of the 20th and 40th years, and at the end of the 50th year if San Francisco Waterfront Partners I, LLC exercises the lease renewal option, to the greater of (a) the CPI adjustment, or (b) 85 percent of the

[2] Primus Infrastructure Company, LLC was formerly The Jefferson Company. The August 31, 2000 Request for Proposals response from San Francisco Waterfront Partners I, LLC listed that company under its former name.

average annual Minimum Rent plus the Percentage Rent during the preceding ten years.

Percentage Rent

Under the proposed lease, San Francisco Waterfront Partners I, LLC would pay the Port a Percentage Rent equal to 15 percent of its gross receipts during each quarter, if the Percentage Rate exceeds the Minimum Rent. Therefore, San Francisco Waterfront Partners I, LLC would pay the Port the greater of the Minimum Rent or the Percentage Rent.

Rent Credits

Under the proposed lease, San Francisco Waterfront Partners I, LLC would receive rent credits from the Port for the hard and soft costs it incurs to repair and upgrade the piers' substructures, up to a maximum of $10,000,000 and excluding any interest charges. The Port would give rent credits to San Francisco Waterfront Partners I, LLC each month that San Francisco Waterfront Partners I, LLC pays the Port a Percentage Rent, which as previously stated, is the amount of rent payable if the Percentage Rent is greater than the Minimum Monthly Rent of $41,667. The granting by the Port to San Francisco Waterfront Partners I, LLC of such Rent Credits expires when San Francisco Waterfront Partners I, LLC has received total rent credits for allowable repair and upgrade costs of up to $10,000,000 or over 15 years, whichever occurs earlier, since the amount of rent credits granted depend on the amount of Percentage Rent payable to the Port. The Port expects San Francisco Waterfront Partners I, LLC to amortize the complete cost of substructure improvements within a maximum of 15 years according to Port financial projections. The projected amortization schedule for the estimated costs of up to $10,000,000 for substructure improvements are shown in Attachment I, provided by the Port, in the column "Cumulative Rent Credits."[3]

[3] As shown in Attachment I, under Alternate A, amortization would occur between Years 3 and 16, in the full amount of $10,000,000. Under Alternate B, amortization would occur between Years 3 and 17, in the estimated amount of $9,394,104. Under Alternate C, amortization would occur between Years 3 and 17, in the estimated amount of $8,601,921.

Federal Rehabilitation Tax Credits

Under the proposed lease, San Francisco Waterfront Partners I, LLC would retain all proceeds from Federal Rehabilitation Tax Credits received as a result of complying with the U.S. Secretary of the Interior's Standards for Rehabilitation of Historic Buildings. Ms. Jennifer Sobol of the Port advises that San Francisco Waterfront Partners I, LLC will receive an estimated $6,000,000 in Federal Rehabilitation Tax Credits. Ms. Sobol further advises that the majority of these Federal Rehabilitation Tax Credits will be realized by San Francisco Waterfront Partners I, LLC when the first certificate of occupancy is issued by the Port to San Francisco Waterfront Partners I, LLC.

Port's Participation in Net Sales Proceeds

Under the proposed lease, San Francisco Waterfront Partners I, LLC could sell the lease at any time, subject to approval by the Port Commission, but not subject to approval by the Board of Supervisors. Under the proposed lease, San Francisco Waterfront Partners I, LLC and any subsequent lessee would pay the Port 15 percent of the net sales proceeds from all sales of the leasehold by the existing lessee during the initial 50-year lease term. The net sales proceeds for the first such leasehold sale would be the total sale price less (a) transaction expenses, and (b) San Francisco Waterfront Partners I, LLC's net development costs. The net sales proceeds from any subsequent lessee sale in the future are the total leasehold sale price less (a) transaction expenses, and (b) the seller's purchase price for the leasehold.

Total Projected Revenues to the Port

Attachment I shows the projected revenues to the Port from San Francisco Waterfront Partners I, LLC between 2003 and 2053 from the Minimum Rent, the Percentage Rent, and the Port's participation in net sales proceeds, less rent credits. Attachment I contains three alternative revenue projections:

- Under Alternate A, which assumes potential office sublease rent per square foot of $60.00 annually, and other potential sublease rent per square foot of $40.00 annually, the estimated revenue to the Port totals $64,788,339 over 50 years, an average of $1,295,767 per year (as stated on page 1 of Attachment I).
- Under Alternate B, which assumes potential office sublease rent per square foot of $50.00 annually, and other potential sublease rent per square foot of $33.00 annually, the estimated revenue to the Port totals $51,802,808 over 50 years, an average of $1,036,056 per year (as stated on page 3 of Attachment I).
- Under Alternate C, which assumes potential office sublease rent per square foot of $46.00 annually, and other potential sublease rent per square foot of $31.00 annually, the estimated revenue to the Port totals $47,295,810 over 50 years, an average of $945,916 per year (as stated on page 5 of Attachment I).

Term of Lease and Parking Agreement: September 1, 2003 to August 31, 2053 (50 years)

Right of Renewal: Sixteen years. If San Francisco Waterfront Partners I, LLC exercises the 16 year renewal option, the total lease term would be 66 years, expiring on August 31, 2069.

Comments:

1. Piers 1½, 3 and 5, which are located north of the Ferry Building, were built in 1918 and were listed in November of 2002 on the National Register of Historic Places as its own separate district called the Central Embarcadero Piers Historic District. The Port's Waterfront Land Use Plan requires that any improvements to these historic pier structures be consistent with the U.S. Secretary of the Interior's Standards for Rehabilitation of Historic Buildings. Compliance with these standards would make

San Francisco Waterfront Partners I, LLC eligible for Federal Rehabilitation Tax Credits.

2. The buildings on all three piers were condemned in December of 2000 by the Port as being unsafe for occupancy due to the deteriorated condition of the piers' substructure. All leases for buildings on the three piers were terminated and all tenants vacated the pier buildings. Therefore, since December of 2000, the Port has not received any income from the condemned portions of the piers (although it has received rental income from Hornblower Yachts, Inc. which occupies the open portion of Pier 3).

3. On March 10, 2000, the Port issued a Request for Proposals to lease and develop Piers 1½, 3 and 5. On August 31, 2000, the Port received the following three proposals:

- Embarcadero Waterfront Partners, LLC, owned by Levin Menzies Kelly & Associates, LLC.
- San Francisco Waterfront Partners I, LLC, a joint venture of Putnam Waterfront Partners, LLC (managing member), Primus Infrastructure Company, LLC (development manager), and CalSTRS.
- Watermark Partners, LLC, a joint venture of Fidelity Partners, Inc. (managing member) and ING Realty Partners.

These three proposals were reviewed by Port staff and an independent team of qualified architecture, engineering, and planning consultants led by Keyser Marston Associates, Inc., a real estate economics and planning firm.[4]

[4] In addition to reviewing the economic aspects of the proposal, Keyser Marston Associates, Inc. led a team comprising (a) BMS Design Group (reviewed the design proposal, and physical and historic preservation aspects), (b) Moffatt and Nichol Engineering (reviewed the pier substructure repair proposals), (c) Esherick Homsey Dodge and Davis (reviewed the historic rehabilitation elements of the proposals), and (d) Pittman and Hames (undertook an office and retail space rent comparison study).

4. Port staff, with input from the consultant team, ranked San Francisco Waterfront Partners I, LLC Number 1 in terms of meeting the selection criteria. The three proposals were ranked as follows:

Request for Proposals Criteria	Embarcadero Waterfront Partners, LLC	San Francisco Waterfront Partners, LLC	Watermark Partners, LLC
Ability, experience, and past economic performance	2	1	3
Development concept	2	1	3
Financial proposal	1	1	3
Project feasibility	2	1	3
Overall Ranking	**2**	**1**	**3**

According to Ms. Sobol, the San Francisco Waterfront Partners I, LLC's proposal contained the least amount of new construction and office space, best achieved the Port's planning and design objectives, provided more of the required and encouraged uses defined in the Request for Proposal, promoted maritime activities, and provided the most public access. A detailed comparison of the three proposals is contained in Attachment II, provided by the Port.

5. Mr. Bennett advises that this proposed lease is structured so that private development would generate the revenues necessary to fund the required repairs and upgrades to the substructures of Piers 1½, 3 and 5 (with the Port granting San Francisco Waterfront Partners I, LLC rent credits for up to $10,000,000 of those costs), and then the Port would participate in the future revenues generated by the development of the site. According to Mr. Bennett, the subject transaction is not structured to provide San Francisco Waterfront Partners I, LLC with a preferred return[5] on its development costs of an estimated

[5] Mr. Bennett advises that under a "preferred return" participation structure, the developer (in this case, San Francisco Waterfront Partners I, LLC) would obtain a preferred return on its investment prior to the Lessor (in this case, the Port) receiving its participation. Therefore, the developer's return has priority over the Lessor's. The proposed lease is <u>not</u> structured to provide San Francisco Waterfront Partners I, LLC with a preferred return.

$44,000,000. The 15 percent percentage rent is simply calculated as a percentage of San Francisco Waterfront Partners I, LLC's gross receipts. Similarly, if the leasehold is sold prior to the end of the lease, the Port's participation in sales proceeds is simply calculated at 15 percent of net sales proceeds. While San Francisco Waterfront Partners I, LLC assumes all the development cost risk, it would retain all Federal Rehabilitation Tax Credits and all proceeds from refinancing, and it would receive rent credits for the cost of substructure repairs up to $10,000,000. The Port advises that this proposal provides the Port with a relatively predictable income stream, limiting downward volatility. While the Port advises that the proposal from San Francisco Waterfront Partners I, LLC might not provide the Port with as much potential future revenue as a typical preferred return structure, according to Mr. Bennett the Port's participation in future revenues is more secure under the proposed lease. Mr. Bennett states that this proposal still provides a significant and more certain opportunity for the Port to participate in greater potential revenues, through the Port's participation in the gross receipts of San Francisco Waterfront Partners I, LLC and from net sales proceeds of the leasehold. Attachment III, provided by Mr. Bennett, provides further information about the proposed transaction structure.

6. Under the proposed lease between the Port and San Francisco Waterfront Partners I, LLC, the Port has the option to expand its current offices at Pier 1, presently consisting of 52,475 square feet, into an additional estimated 3,132 square feet in the proposed second floor of Piers 1½ and 3. The option is exercisable at market rates once every ten years, if space becomes available. Ms. Sobol advises that exercising this option would cost the Port an estimated annual rental of $144,072 ($46.00 per square foot per year) to $187,920 ($60.00 per square foot per year), based upon the current office rental projections in Attachment I.

7. Ms. Sobol advises that the following regulatory agencies must approve the project proposed by the San Francisco Waterfront Partners I, LLC:

- The Board of Supervisors (the subject resolution).
- The San Francisco Planning Department. The California Environmental Quality Act review has been completed, and a letter from the Planning Department granting an Off-street Parking Exemption has been issued.
- The State Lands Commission (no approval required, but the State Lands Commission's Executive Director has provided a letter requested by the Port that the proposed Piers Project is consistent with the public trust).
- The Port Commission (approval received).
- The National Park Service and Historic Preservation Officer (approval pending).
- The Bay Conservation and Development Commission (approval received).
- The Port's Building Department. Ms. Sobol advises that the Port's Building Department is reviewing the initial construction drawings and will issue a Site Permit prior to delivery of the lease.
- The Army Corps of Engineers. Ms. Sobol advises that the Army Corps of Engineers has indicated that it is prepared to approve the project, and will issue a permit prior to delivery of the lease.

According to Ms. Sobol, the Port anticipates that these approvals will be made in time for construction to begin in the Fall of 2003 so that construction can be completed by 2005.

8. On May 31, 2002, the Planning Department completed its environmental review of the proposed project and issued a Mitigated Negative Declaration which (a) finds that the project will not have a significant effect on the environment, and (b) identifies certain mitigation and improvement measures to avoid potential significant negative effects.

9. As previously noted, under the proposed lease, the Minimum Rent would be increased every five years by the cumulative increase in the Consumer Price Index (CPI) over that five year period, with a minimum increase of 10 percent and a maximum increase of 20 percent. The Budget Analyst notes that a rent increase based on annual increases in the CPI would result in greater minimum rent due to the Port. For example, under the proposed lease, the total Minimum Rent due to the Port over the first five years that rent is to be paid (i.e., after the construction period) would be $2,500,000 ($500,000 annually for five years). If, for example, the CPI were to increase by four percent annually over that period, and the Minimum Rent were to be adjusted annually based on such CPI increases, the Port would be due Minimum Rent of $2,708,161 over the first five years, which is $208,161 or 8.3 percent more than the Minimum Rent specified in the proposed lease.

In response, Mr. Bennett states that the Minimum Rent would be subject to a CPI adjustment every five years, rather than annually, with a minimum and maximum increase, because such provisions are consistent with the real estate leasing practice for longer term leases. Mr. Bennett advises that the cumulative CPI increase every five years, rather than an annual CPI increase, is an important part of the financial proposal submitted by the San Francisco Waterfront Partners I, LLC. According to Mr. Bennett, depending on the market throughout the term of the lease, San Francisco Waterfront Partners I, LLC may not be able to obtain annual cost of living increases from their subleasees. Mr. Bennett advises that five-year increases in the Minimum Rent would enable San Francisco Waterfront Partners I, LLC to better strategize the timing of their subleases. Mr. Bennett also advises that the Port is protected by the cumulative cost of living increases in the Minimum Rent and by the quarterly payment of the Percentage Rent, noting that the Port's projections show that the Percentage Rent will exceed the Minimum Rent under all projection scenarios. However, the Budget Analyst notes that there is no guarantee that the Percentage Rent will exceed the Minimum Rent.

Mr. Bennett advises that re-negotiating the cumulative CPI increase to an annual increase will re-open negotiations of other lease terms that are important to San Francisco Waterfront Partners I, LLC.

Recommendation:

1. In accordance with Comment 9, amend the proposed resolution to require that the Port Commission amends the Lease to provide for annual CPI adjustments to the proposed Minimum Rent instead of cumulative CPI adjustments once every five years.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE A

Assumptions:
Potential Office Sublease Rent Per Square Foot: $60.00
Potential Other Sublease Rent Per Square Foot: $40.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				$58,402,805	$6,385,534	$64,788,339	
Average Years 1-50				$1,168,056		$1,295,767	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	155,147	(605,147)	50,000	0	50,000	605,147
4	500,000	174,801	(624,801)	50,000	0	50,000	1,229,948
5	500,000	195,045	(645,045)	50,000	0	50,000	1,874,993
6	500,000	215,896	(665,896)	50,000	0	50,000	2,540,889
7	500,000	237,373	(687,373)	50,000	0	50,000	3,228,262
8	579,637	179,857	(709,494)	50,000	0	50,000	3,937,757
9	579,637	202,642	(732,279)	50,000	0	50,000	4,670,036
10	579,637	226,111	(755,748)	50,000	0	50,000	5,425,784
11	579,637	250,283	(779,920)	50,000	0	50,000	6,205,704
12	579,637	275,181	(804,818)	50,000	0	50,000	7,010,522
13	671,958	208,504	(830,462)	50,000	0	50,000	7,840,984
14	671,958	234,918	(856,876)	50,000	0	50,000	8,697,860
15	671,958	262,124	(884,082)	50,000	0	50,000	9,581,942
16	671,958	290,147	(418,058)	544,047	0	544,047	10,000,000
17	671,958	319,010	0	990,968	0	990,968	
18	778,984	241,713	0	1,020,697	2,940,706	3,961,403	
19	778,984	272,334	0	1,051,318	0	1,051,318	
20	778,984	303,874	0	1,082,858	0	1,082,858	
21	778,984	336,360	0	1,115,343	0	1,115,343	
22	778,984	369,820	0	1,148,804	0	1,148,804	
23	903,056	280,212	0	1,183,268	0	1,183,268	
24	903,056	315,710	0	1,218,766	0	1,218,766	
25	903,056	352,273	0	1,255,329	0	1,255,329	
26	903,056	389,933	0	1,292,988	0	1,292,988	
27	903,056	428,723	0	1,331,778	0	1,331,778	
28	1,046,889	324,843	0	1,371,731	0	1,371,731	
29	1,046,889	365,994	0	1,412,883	0	1,412,883	
30	1,046,889	408,381	0	1,455,270	3,444,828	4,900,098	
31	1,046,889	452,039	0	1,498,928	0	1,498,928	
32	1,046,889	497,007	0	1,543,896	0	1,543,896	
33	1,213,631	376,582	0	1,590,213	0	1,590,213	

34	1,213,631	424,288	0	1,637,919	0	1,637,919
35	1,213,631	473,425	0	1,687,057	0	1,687,057
36	1,213,631	524,037	0	1,737,668	0	1,737,668
37	1,213,631	576,167	0	1,789,798	0	1,789,798
38	1,406,931	436,561	0	1,843,492	0	1,843,492
39	1,406,931	491,866	0	1,898,797	0	1,898,797
40	1,406,931	548,830	0	1,955,761	0	1,955,761
41	1,406,931	607,503	0	2,014,434	0	2,014,434
42	1,406,931	667,936	0	2,074,867	0	2,074,867
43	1,631,019	506,094	0	2,137,113	0	2,137,113
44	1,631,019	570,207	0	2,201,226	0	2,201,226
45	1,631,019	636,244	0	2,267,263	0	2,267,263
46	1,631,019	704,262	0	2,335,281	0	2,335,281
47	1,631,019	774,321	0	2,405,339	0	2,405,339
48	1,890,798	586,702	0	2,477,500	0	2,477,500
49	1,890,798	661,027	0	2,551,825	0	2,551,825
50	1,890,798	737,581	0	2,628,379	0	2,628,379

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	5,396,766
Sales Price @ 9% Cap Rate	59,964,062
Less: Cost of Sales @ 3%	(1,798,922)
Add: PV Rent Credits @ 9%	5,439,566
Less: Development Costs	(44,000,000)
Net Sales Proceeds	19,604,706
Port Participation @ 15%	**2,940,706**

Second Sale (Year 30)

Net Operating Income Year 31	7,694,497
Sales Price @ 9% Cap Rate	85,494,414
Less: Cost of Sales @ 3%	(2,564,832)
Less: Purchase Price	(59,964,062)
Net Sales Proceeds	22,965,520
Port Participation @ 15%	3,444,828

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE B

Assumptions:
Potential Office Sublease Rent Per Square Foot: $50.00
Potential Other Sublease Rent Per Square Foot: $33.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				$47,551,672	$4,251,136	$51,802,808	
Average Years 1-50				$951,033		$1,036,056	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	45,414	(495,414)	50,000	0	50,000	495,414
4	500,000	61,776	(511,776)	50,000	0	50,000	1,007,190
5	500,000	78,629	(528,629)	50,000	0	50,000	1,535,819
6	500,000	95,988	(545,988)	50,000	0	50,000	2,081,808
7	500,000	113,868	(563,868)	50,000	0	50,000	2,645,676
8	579,637	52,647	(582,284)	50,000	0	50,000	3,227,960
9	579,637	71,616	(601,253)	50,000	0	50,000	3,829,212
10	579,637	91,153	(620,790)	50,000	0	50,000	4,450,002
11	579,637	111,277	(640,914)	50,000	0	50,000	5,090,916
12	579,637	132,004	(661,641)	50,000	0	50,000	5,752,558
13	671,958	61,032	(682,990)	50,000	0	50,000	6,435,548
14	671,958	83,022	(704,980)	50,000	0	50,000	7,140,528
15	671,958	105,671	(727,630)	50,000	0	50,000	7,868,158
16	671,958	129,000	(750,958)	50,000	0	50,000	8,619,116
17	671,958	153,029	(774,987)	50,000	0	50,000	9,394,104
18	778,984	70,753	0	849,737	1,383,295	2,233,031	
19	778,984	96,245	0	875,229	0	875,229	
20	778,984	122,502	0	901,486	0	901,486	
21	778,984	149,547	0	928,530	0	928,530	
22	778,984	177,403	0	956,386	0	956,386	
23	903,056	82,022	0	985,078	0	985,078	
24	903,056	111,575	0	1,014,630	0	1,014,630	
25	903,056	142,014	0	1,045,069	0	1,045,069	
26	903,056	173,366	0	1,076,421	0	1,076,421	
27	903,056	205,658	0	1,108,714	0	1,108,714	
28	1,046,889	95,086	0	1,141,975	0	1,141,975	
29	1,046,889	129,346	0	1,176,235	0	1,176,235	
30	1,046,889	164,633	0	1,211,522	2,867,841	4,079,363	
31	1,046,889	200,978	0	1,247,867	0	1,247,867	
32	1,046,889	238,414	0	1,285,303	0	1,285,303	
33	1,213,631	110,231	0	1,323,862	0	1,323,862	

34	1,213,631	149,947	0	1,363,578	0	1,363,578
35	1,213,631	190,854	0	1,404,486	0	1,404,486
36	1,213,631	232,989	0	1,446,620	0	1,446,620
37	1,213,631	276,388	0	1,490,019	0	1,490,019
38	1,406,931	127,788	0	1,534,719	0	1,534,719
39	1,406,931	173,830	0	1,580,761	0	1,580,761
40	1,406,931	221,252	0	1,628,184	0	1,628,184
41	1,406,931	270,098	0	1,677,029	0	1,677,029
42	1,406,931	320,409	0	1,727,340	0	1,727,340
43	1,631,019	148,141	0	1,779,160	0	1,779,160
44	1,631,019	201,516	0	1,832,535	0	1,832,535
45	1,631,019	256,492	0	1,887,511	0	1,887,511
46	1,631,019	313,118	0	1,944,137	0	1,944,137
47	1,631,019	371,442	0	2,002,461	0	2,002,461
48	1,890,798	171,736	0	2,062,534	0	2,062,534
49	1,890,798	233,613	0	2,124,410	0	2,124,410
50	1,890,798	297,345	0	2,188,143	0	2,188,143

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	4,492,842
Sales Price @ 9% Cap Rate	49,920,468
Less: Cost of Sales @ 3%	(1,497,614)
Add: PV Rent Credits @ 9%	4,799,110
Less: Development Costs	(44,000,000)
Net Sales Proceeds	9,221,964
Port Participation @ 15%	1,383,295

Second Sale (Year 30)

Net Operating Income Year 31	6,405,719
Sales Price @ 9% Cap Rate	71,174,650
Less: Cost of Sales @ 3%	(2,135,240)
Less: Purchase Price	(49,920,468)
Net Sales Proceeds	19,118,943
Port Participation @ 15%	2,867,841

PIERS 1-1/2, 3 & 5 HISTORIC REHABILITATION PROJECT
PORT REVENUE PROJECTIONS
ALTERNATE C

Assumptions:
Potential Office Sublease Rent Per Square Foot: $46.00
Potential Other Sublease Rent Per Square Foot: $31.00
Annual CPI Increase: 3%

Year	Minimum Rent	Overage Percentage Rent	Rent Credits	Sub-total Port Rent	Port Participation in Net Sales Proceeds	Total Port Revenue	Cumulative Rent Credits
Total Years 1-50				$43,896,792	$3,399,018	$47,295,810	
Average Years 1-50				$877,936		$945,916	
1	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0
3	500,000	2,821	(452,821)	50,000	0	50,000	452,821
4	500,000	17,905	(467,905)	50,000	0	50,000	920,726
5	500,000	33,443	(483,443)	50,000	0	50,000	1,404,169
6	500,000	49,446	(499,446)	50,000	0	50,000	1,903,615
7	500,000	65,929	(515,929)	50,000	0	50,000	2,419,544
8	579,637	3,270	(532,907)	50,000	0	50,000	2,952,451
9	579,637	20,757	(550,394)	50,000	0	50,000	3,502,845
10	579,637	38,769	(568,406)	50,000	0	50,000	4,071,252
11	579,637	57,321	(586,958)	50,000	0	50,000	4,658,210
12	579,637	76,430	(606,067)	50,000	0	50,000	5,264,277
13	671,958	3,791	(625,749)	50,000	0	50,000	5,890,026
14	671,958	24,063	(646,022)	50,000	0	50,000	6,536,048
15	671,958	44,944	(666,902)	50,000	0	50,000	7,202,950
16	671,958	66,451	(688,409)	50,000	0	50,000	7,891,359
17	671,958	88,603	(710,562)	50,000	0	50,000	8,601,921
18	778,984	4,395	0	783,378	755,134	1,538,513	
19	778,984	27,896	0	806,880	0	806,880	
20	778,984	52,102	0	831,086	0	831,086	
21	778,984	77,035	0	856,019	0	856,019	
22	778,984	102,716	0	881,699	0	881,699	
23	903,056	5,095	0	908,150	0	908,150	
24	903,056	32,339	0	935,395	0	935,395	
25	903,056	60,401	0	963,457	0	963,457	
26	903,056	89,305	0	992,360	0	992,360	
27	903,056	119,076	0	1,022,131	0	1,022,131	
28	1,046,889	5,906	0	1,052,795	0	1,052,795	
29	1,046,889	37,490	0	1,084,379	0	1,084,379	
30	1,046,889	70,021	0	1,116,910	2,643,883	3,760,794	
31	1,046,889	103,529	0	1,150,418	0	1,150,418	
32	1,046,889	138,041	0	1,184,930	0	1,184,930	
33	1,213,631	6,847	0	1,220,478	0	1,220,478	

34	1,213,631	43,461	0	1,257,092	0	1,257,092
35	1,213,631	81,174	0	1,294,805	0	1,294,805
36	1,213,631	120,018	0	1,333,649	0	1,333,649
37	1,213,631	160,028	0	1,373,659	0	1,373,659
38	1,406,931	7,937	0	1,414,869	0	1,414,869
39	1,406,931	50,383	0	1,457,315	0	1,457,315
40	1,406,931	94,103	0	1,501,034	0	1,501,034
41	1,406,931	139,134	0	1,546,065	0	1,546,065
42	1,406,931	185,516	0	1,592,447	0	1,592,447
43	1,631,019	9,202	0	1,640,220	0	1,640,220
44	1,631,019	58,408	0	1,689,427	0	1,689,427
45	1,631,019	109,091	0	1,740,110	0	1,740,110
46	1,631,019	161,294	0	1,792,313	0	1,792,313
47	1,631,019	215,064	0	1,846,083	0	1,846,083
48	1,890,798	10,667	0	1,901,465	0	1,901,465
49	1,890,798	67,711	0	1,958,509	0	1,958,509
50	1,890,798	126,466	0	2,017,264	0	2,017,264

CALCULATION OF PORT PARTICIPATION IN NET SALES PROCEEDS

First Sale (Year 18)

Net Operating Income Year 19	4,141,983
Sales Price @ 9% Cap Rate	46,022,031
Less: Cost of Sales @ 3%	(1,380,661)
Add: PV Rent Credits @ 9%	4,392,859
Less: Development Costs	(44,000,000)
Net Sales Proceeds	5,034,230
Port Participation @ 15%	**755,134**

Second Sale (Year 30)

Net Operating Income Year 31	5,905,477
Sales Price @ 9% Cap Rate	65,616,412
Less: Cost of Sales @ 3%	(1,968,492)
Less: Purchase Price	(46,022,031)
Net Sales Proceeds	17,625,889
Port Participation @ 15%	2,643,883

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DEVELOPMENT TEAMS AND PROPOSALS			
Development Entity:	**Embarcadero Waterfront Partners, LLC**	**San Francisco Waterfront Partners, LLC, joint venture**	**Watermark Partners LLC joint venture**
Developer:	Levin Menzies Kelly & Associates, LLC (Marvin Levin, Paul Menzies, Mike Kelly), Manager The Swig Company (Financial Partner) O'Connor Group/J.P. Morgan (Financial Partner)	Putnam Waterfront Partners, LLC, the Managing Member (Donald Putnam, Chairman; Simon Snellgrove, Managing Member, and President of Joint Venture; and Heather King-McPherson, overall financial responsibility) The Jefferson Company, the Development Manager (Todd Clayter) and Construction Manage Oversight (Kim Wilhelm) California State Teachers' Retirement System (CALSTRS)	Fidelity Partners, Inc., the Managing Member (Sanora Monteko, Joseph Sherman, Herve Vatinel, Perry Raanan) ING Realty Partners
Development Team:			
• Legal Counsel	Moscone, Emblidge & Quadra LLP: Christopher Moscone Crosby Heafy Roach & May: Eun Hee Chang (contracts) Baker & McKenzie: Tim Tosta (land use/planning)	Farella Braun & Martell: Mary Murphy	Reuben & Alter: Jim Reuben
• Architecture	Kwan Henmi Architecture/ Planning: Denis Henmi, Jeff Stahl	Richard Hannum & Associates: Richard Hannum, Janine Moss	Heller-Manus Architects: Clark Manus, Peter Zepponi
• Historic Preservation Architects	Page & Turnbull: John Turnbull, Frederic Knapp, John Alvarez II	Carey & Co. Inc: Alice Carey, Nancy Goldenberg	Architectural Resources Group: Bruce Judd
• Landscape Architect	Stevens & Assoc: Myles Stevens		
• Structural Engineers	Structus Consulting Engineers: Fu-Lien (Henry) Chang	Peter Culley & Associates: Peter Culley, John Hare	Telesis Engineers: Charles Thiel
• Pier Engineering Consultant			Hratch Kouyoumdjian & Associates: Michael O'Sullivan

• Mechanical & Electrical Engineers		Glumac & Assoc: Dick Glumac, Rick Thomas, Michael Suttie	
• Marine Consultants	Structus Consulting Engineers	Charles I. Rauw, Consulting Engineers: Charles Rauw	Power Engineering Contractors Inc: Ken Lindberg, David Mik
• Geotechnical Engineers			Treadwell & Rollo: Frank J. Rollo
• Public Affairs	Jane Winslow Consulting		Andrew Sun and Associates: Andrew Sun
• Environmental Planning			Environmental Science Associates: Karl Heisler
• Traffic Planning			Korve Engineering: Paul Menaker
• Interior Design	Kwan Henmi: Denis Henmi	Hirsch Bedner Associates: Michael Bedner	
• General Contractors	McCarthy Building Companies—Northern California Division: David Parkes, Michael Lipton, Frances Chew	S.J. Amoroso: Dana McManus, George Leonoff	DPR Construction Inc: Greg Hulbert, Scott Reay
• Interior Contractors		Fineline Group: John Santori	
• Permitting			A.R. Sanchez Corea & Associates: Tony Sanchez
• Leasing	CB Richard Ellis: Darin Bosch		Grubb & Ellis: John Jensen, Dan Cressman
• Management & Operations	Levin Menzies Kelly, & CB Richard Ellis: Darin Bosch	Putnam Waterfront Partners	
• Lead Negotiator	Mike Kelly	Simon Snellgrove	Joseph Sherman

The proposals are summarized in the following table. Note that the financial projections included in this table are based upon the proposals and other materials submitted by the respondents.

Development Entity	Embarcadero Waterfront Partners, LLC	San Francisco Waterfront Partners, LLC, joint venture	Watermark Partners, LLC, joint venture
Project Concept	General office uses, except for one 1,500 SF café, Hornblower ticket office, and 6,000 SF museum/non-profit or offices. Retain Piers 1½ -3-5 bulkhead buildings and Pier 1½ building; replace Pier 3 shed with 2-story building. Expanded Portwalk around Pier 1.5 and belvederes at Pier 5 beyond parameters in RFP.	General office uses, except for four food & beverage establishments of various types and sizes, totaling 10,930 SF, and Hornblower ticket office. Retain Piers 1½ - 3-5 bulkhead buildings and Pier 1½ building; add second floor to Pier 3 shed. Floating docks for berthing of excursion boats, recreational boats and water taxis, and for historic boat and ceremonial berthing	General office uses, except 2,500 SF casual restaurant (or 5,000 SF upscale restaurant, and possibly one other food & beverage establishment), ticket office, and 3,000 SF maritime use. Retain Piers 1½ -3-5 bulkhead buildings and Pier 1½ building; replace Pier 3 shed with 3-story building. Two Scenarios: • Scenario One: Eliminate vehicular access through Pier 3 arch. and reroute

Development Entity	Embarcadero Waterfront Partners, LLC	San Francisco Waterfront Partners, LLC, joint venture	Watermark Partners, LLC, joint venture
		Expanded Portwalk and Bayside History Walk beyond parameters in RFP. Portwalk lowered and separated from existing pier edges.	around perimeter of Pier 3. Replace Pier 1½ building with 3-story building. • Scenario Two: Retain vehicular access through Pier 3 arch. Retain Pier 1½ building, but extend Pier 1½ bulkhead building over public access area. Berthing of historic boat on adjacent Hornblower leasehold. Portwalk modified from parameters in RFP.
Development Program:			
• Public Access Space (Excluding off-site Pier 7 plaza and any exclusive perimeter vehicular access space)	Exterior: 9,900 SF Interior: 6,600 SF Total: 16,500 SF	Exterior: 19,740 SF Interior: 9,467 SF Total: 29,207 SF	Exterior: 9,650/12,370 SF Interior: 0 / 4,320 SF Total: 9,650 / 16,690 SF (Scenario One/ Two)
• Total Commercial Space	68,501 Rentable SF	75,205 Rentable SF	103,800 Rentable SF (Scenario One)/ 91,140 Rentable SF (Scenario Two)
• Restaurants & Cafes	1,500 SF casual café	Four food & beverage establishments totaling 10,930 SF: • Popular-priced, 3-meal casual diner • Gourmet coffee shop/ maritime books and magazines. • Oyster bar • Upscale restaurant	2,500 SF casual restaurant (or 5,000 SF upscale restaurant) at Pier 5; plus 6,400 SF food & beverage establishment at Pier 1½ if commercially viable.
• Offices	59,402-65,402 SF (may include 6,000 SF of museum space)	63,612 SF	96,900 Rentable SF (Scenario One); 84,140 Rentable SF (Scenario 2)
• Museum	0-6,000 SF (may be offices)		
• Hornblower Ticket Office	1,599 SF	663 SF	1,400 SF (Scenario One)/ 1,500 SF (Scenario Two)
• Other Maritime Uses	Berthing and other uses compatible and in conjunction with Hornblower on Pier 3, to be developed in discussion with Port staff.	Historic boat & ceremonial berthing, and recreational boat, excursion boat, and water taxi berthing.	3,000 SF maritime office and support (Hawkes Ocean Technologies) and berthing of historic ship (Presidential Yacht Sequoia) on adjacent Hornblower leasehold.

Financial Proposal:			
• Initial Guaranteed Annual Base Rent	$550,000	$600,000	$600,000
• Base Rent Adjustments	Adjusted every 5 years by change in CPI	Increased every 5 years by increase in CPI, with 10% minimum and 20% maximum increases.	Adjusted annually by change in CPI, not to exceed 3%.
• Percentage Rent	20% of total rental revenue in excess of $3.8 M, less receipt by Port of any CPI adjustment to Base Rent.	15% of gross rental receipts less Base Rent, paid quarterly.	7.5% of gross rent net of Base Rent; 20% of gross rents in excess of $4.2 million
• Percentage Rent Adjustments	None indicated in proposal.	None	To be discussed during exclusive negotiations
• Rent During Construction	$550,000 per year	$316,000 to be added to Port's share of value of project, or paid to Port	$600,000 commencing on receipt of building permits
• Lease Term	50 years	50 years; would seek to negotiate option to extend to 66 years	50 years with 15 year renewal option
• Port's Participation in sale or refinancing proceeds	20% of all profits or excess sums after brokerage commissions and customary expenses of sale or refinance, including repayment of existing debt & equity.	Approximately 24.4% share in net proceeds from sale, transfer or refinancing in proportion to Port's share of total project costs, based upon: • Capitalizing minimum rent at 8%, plus • Total of Base Rent not paid to Port during construction ($316,000 per year), plus • Port's $2 Million substructure repair cost, plus • Port's share of historic tax credits If Port shares in refinancing proceeds, Port's ongoing percentage Rent is adjusted to reflect additional financing costs.	Not applicable—Watermark intends to hold for lease term
• Historic Tax Credits	50% rebated to Port	Port to participate as indicated above for participation in sale or refinance proceeds.	To be discussed during exclusive negotiations.

Projected Rent and Estimated Participation Income to Port:			
• Years 1-10 total rent to Port (Base Rent plus percentage rent)	$9,456,682 (museum) $10,395,430 (offices)	$8,725,512	$13,207,736 (Scenario One) $11,371,094 (Scenario Two)
• Estimated Potential Participation in Sale, Transfer or Refinance (Year 2011)	$4.2 Million (museum) $4.8 Million (office)	$6.8 Million	None proposed
• Participation in Historic Tax Credits	See above	See above	None proposed
Projected Project Costs:			
• Hard Costs (Including tenant improvement allowance and contingency; excluding Port substructure work)	$18.2 Million	$26.8 Million	$24.2 Million (Scenario One) $23.4 Million (Scenario Two)
• Soft Costs	$5.6 Million	$10.4 Million	$7.8 Million (Scenario One) $7.2 Million (Scenario Two)
• Total Development Costs	$23.8 Million	$37.2 Million	$32.0 Million $30.6 Million
Funding:			
• Historic Tax Credits	To be determined.		
• Mortgage Debt	70% ($15.5 million)	65% ($23.6 million)	65% ($21.0 million/ $20.1 million)
• Equity	30% ($6.7 million)	35% (12.7 million	35% ($11.3 million/ $10.8 million)
Schedule:			
• Start Construction	February 1, 2002	Mid 2001 (Pier 5); January 7, 2002 (Piers 1½-3)	May 17, 2001 (Sub-structure)
• Complete Construction	January 1, 2003	June 30, 2003	November 23, 2001 (Pier 5); August 8, 2002 (Pier 1.5)

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PORT OF SAN FRANCISCO
MEMORANDUM

TO: Harvey Rose
Budget Analyst

DATE: June 9, 2003

FROM: Kirk Bennett
Deputy Director Development Projects

SUBJECT: PIERS PROJECT
TRANSACTION STRUCTURE

This memorandum is in response to your request for an explanation of the basis for the transaction structure proposed for the Piers Project, and what other transaction structures were considered. This memorandum first outlines the fundamental alternative transaction structures used by the Port in structuring lease transactions for development projects on the property administered by the Port. With this context, it then explains the selection of transaction structure for the Piers Project.

ALTERNATE TRANSACTION STRUCTURES

The Port's leases for public/ private partnership development projects generally conform to one of the following three fundamental models:

A. Port Participation in Gross Business Receipts

B. Port Participation in Master Tenant Revenues with No Preferred Developer Return

C. Port Participation in Master Tenant Revenues with Preferred Developer Return

The application of these alternative transaction structures generally relate to the type, scale and inherent developer risk of the particular development project, and represent different approaches for balancing Port risks and rewards. All three of these models, which are discussed below, have the following characteristics in common:

1. The developer is required to invest significant capital, including correcting deferred maintenance and seismically upgrading the facility.

2. The leases are net to the Port with the developer being responsible for virtually all improvement, repairs and maintenance, and other operating expenses. The only exceptions are specific limited instances involving public plazas, pier substructure, dredging, site preparation, or soil remediation.

3. The Port receives a guaranteed income stream that is adjusted for inflation over the lease

term.

4. The Port participates in the financial success of the project through participation provisions.

5. The Port is protected from direct development, construction and operational risks of the project.

6. The developer is granted a long-term lease, typically 50-66 years.

A. Port Participation in Gross Business Receipts

This model applies to single public-serving businesses offered a long-term lease. Such leases are structured as either ground leases or ground plus improvements leases. The Port participates in the growth and success of the business by receiving percentage rent calculated upon the gross receipts of the business. These leases usually also provide for periodic adjustments of the rent (minimum an/or percentage rates), in addition to cost of living adjustments. Such adjustments are predicated upon the existence of an inventory of direct comparables (which there are for land and for restaurants). Such leases provide for Port participation in proceeds from sales of the leasehold only if such participation is customary leasing practice for the particular type of business.

This structure offers the Port with the opportunity to achieve the highest rewards, but is only applicable to single public-serving businesses; it is not applicable to multi-tenant projects. In this structure, however, the Port's revenues are directly linked to the business success of its tenant. The percentage rentals fluctuate reflecting the gross sales of the tenant's business, which can be volatile. It also exposes the Port to the financial problems of the tenant, with potential disruption of the Port's income stream from the property. This risk is reduced in the following models because the Port's income is based upon the sublease income of the Port's tenant from its subtenants. This sublease income is generated by a number of subleases with fixed terms, creating less volatility, and this sublease income would continue despite financial problems of the Port's tenant.

B. Participation in Master Tenant Revenues with No Preferred Developer Return

This model is usually applied to multi-tenant projects with predominantly a single type of user, such as offices or restaurants, but it can also be applied to mixed-use projects. This model can be applied to ground leases as well as leases for ground and improvments.

In this model, the Port receives participation rent calculated as a percent of the gross revenues of the master tenant, and thus the Port participates in the growth in the sublease rentals that are generated from subtenants of the project. Because each of these projects is unique – without direct comparables – there are not typically adjustments in the minimum or percentage rental rates other than cost of living increases to the minimum rent. In this model, the Port also shares in the reversion value of the project through participation in the net proceeds from sale (and for larger projects, refinancings) of the leasehold. Without a preferred return being granted to the developer, the Port's participations are simply calculated

as a fixed percent of the tenant's sublease income and as a fixed percent of the tenant's net proceeds from sales of the leasehold.

This approach increases the certainty of the Port's income stream from the project. While it is difficult to predict the amount and timing of participation in net sales proceeds, minimum and participation rentals are generally non-volatile and predictable. This approach represents the least on-going risk to the Port.

C. Port Participation in Master Tenant Revenues with Preferred Developer Return

This model applies to large, complex multi-tenant development projects, which involve a mixture of uses and which typically include existing improvements. In order to entice developers to make substantial capital investments in the face of the large risks inherent with such projects, the Port grants the developer a preferred return.

In this approach, the developer is given the opportunity to achieve a stipulated preferred return on its investment before the Port participates in the upside of the project. The Port participates in the growth of the sublease rentals that are generated by subtenants of the project through participation rent after achievement of the preferred return. These preferred returns are based upon the tenant's investment in the property, either the development costs of the original developer or the purchase price of the leasehold by subsequent purchasers of the leasehold. The participation rental rates are based upon gross revenues, net operating income, or net cash flow of the Port's tenant. Like for Model B, the Port also shares in the reversion value of the project through participation in the net proceeds from sale (and for larger projects, refinancings) of the leasehold. Because the Port's participation is less certain, the percentages used to calculate participation are typically higher than for Model B. Again, like for Model B, because each of these projects is unique – without direct comparables – there are not typically adjustments in the minimum or percentage rental rates other than cost of living increases to minimum rent.

The Port's income from participation beyond minimum rent is less certain than in the above models. Participation income -- both participation rent and participation in net sales proceeds – is volatile, and thus more difficult to predict. However, in that the participation percentages are higher to compensate the Port for its increased risk, the rewards can potentially be higher -- particularly if the project produces "home run" profits. As a result, this approach is appropriate either when it is necessary for the Port to assume more risk in order for the developer to be willing to undertake the development risks, or when the Port desires to assume more risk in return for a potentially higher participation.

PIERS PROJECT

It was decided during the preparation process for the Piers Project request for proposals ("RFP") that the lease proposals should conform to Model B. The Port's *Waterfront Land Use Plan* requires that a citizens advisory group must provide the Port with input during the preparation of requests for proposals for major development projects. In preparing the RFP, Port staff therefore held of series of public meetings in late 1999 with the Ferry Building

Waterfront Advisory Group to obtain input in creating the Development Concept and establishing the project objectives, including financial objectives. The financial objectives recommended by the Advisory Group included that the developer be required to pay guaranteed minimum rent, percentage rent calculated on the gross receipts of the project, and a share of net sales proceeds. Port staff prepared and reviewed with the Advisory Group project pro formas incorporating this approach which showed the project should be feasible.

The proposed objectives recommended by the Advisory Group and the proposed lease structure were reviewed with the Port Commission in seeking direction in preparing the RFP. The Port Commission supported a lease structure based upon Model B. Model A did not apply to the proposed project, and the Port Commission wanted to avoid a Model C approach with preferred returns. Because of the relatively small size of the proposed project and the expectation that it would primarily involve office uses, the Port Commission did not believe that they needed to offer preferred returns to the developer. In addition, because the leases for both the Ferry Building and Pier 1 involved preferred returns, the Port Commission believed that it was well positioned to realize any enhanced returns from future "hot" office markets. Moreover, the Port Commission did not want exposure to further risks in the Ferry Building Area from weak office markets, whose impact would be accentuated in a preferred return approach. Consequently, on February 8, 2000, the Port Commission authorized issuance of the RFP with requested lease terms that followed Model B. These requested lease terms were included in the RFP when it was issued on March 10, 2000.

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Item 2 - File 03-0890

Note: This item was continued by the Finance and Audits Committee at its meeting of July 30, 2003. Mr. Elliot Riley of the Port was requested to consult with Mr. David Frieders of the Department of Consumer Assurance regarding this proposed lease and Mr. Riley was further requested to report back to the Finance and Audits Committee pertaining to the proposed lease.

Department: Port of San Francisco (Port)

Item: Resolution approving a new lease agreement between Imperial Parking, Inc. (Imperial), and the City and County of San Francisco operating by and through the San Francisco Port Commission for Imperial to operate a surface parking lot at the Port's Seawall Lot 330, located at the Embarcadero between Bryant and Beale Streets.

Location: Seawall Lot 330 located at Embarcadero between Bryant and Beale Streets.

Purpose of Lease: To provide space for the continued operation of a public surface parking lot, which would accommodate approximately 500 vehicles.

Lessor: City and County of San Francisco

Lessee: Imperial Parking, Inc.

No. of Sq. Ft.: Approximately 124,065 square feet.

Proposed Rental Payment By Lessee to City:

Base Rent Under the Proposed Lease Agreement:

$48,280 monthly (approximately $0.39 per square foot per month based on 124,065 square feet of space) or $579,360 annually. Beginning on the first anniversary date of the proposed lease, the Base Rent would be adjusted annually for a cost of living adjustment based on the Consumer Price Index. According to Mr. Jefferey Bauer of the Port, in December of 2003, the Base Rent would be reduced on a pro-rata basis by the conveyance of 22,600 square feet of the subject parcel to San Francisco Cruise Terminal, LLC (see Comment No. 1).

Percentage Rent Under the Proposed Lease Agreement:

Imperial Parking, Inc. shall pay to the Port the greater of 1) the Base Rent or 2) the Percentage Rent calculated at 66 percent of Gross Receipts net of the 25 percent Parking Taxes. According to Mr. Bauer, during the one-year period from June 1, 2002 through May 31, 2003, total Gross

Receipts less Parking Taxes collected by the current lessee, for the operation of the surface parking lot at Seawall Lot 330 totaled $801,775, of which 66 percent is $529,172, which is less than the proposed Base Rent of $579,360 annually.

Utilities and Janitorial Services: All utilities and janitorial services shall be paid for by the lessee.

Term of Lease: The lease term is two years, commencing on August 1, 2003 or upon approval of the Board of Supervisors. The City can terminate the lease, without cause, at any time, upon 60 days notice.

Right of Renewal: None

Lessor's Option to Expand: Under the provisions of the proposed lease, the Port may exercise the option to allow Imperial Parking, Inc. to expand parking operations in space south of the Ferry Building (see Comment No. 2).

Description: The proposed new lease agreement between the Port and Imperial Parking, Inc would authorize Imperial Parking, Inc. to operate a surface public parking lot on City-owned property located at Seawall Lot 330, Embarcadero between Bryant and Beale Streets. Currently, the entire 124,065 square feet parcel is being leased on a month-to-month basis to, and operated by City Parking Company, as a public parking lot, under a previously conducted Invitation for Bids process. According to Mr. Elliot Riley of the Port, under the original two-year lease with City Parking Company, which commenced on February 1, 1999, City Parking Company paid to the Port the greater of 1) the Base Rent in the amount of $47,096 monthly or $565,152 annually, which is $1,184 monthly or $14,208 annually less than the proposed Base Rent to be paid by Imperial Parking, Inc. or 2) the Percentage Rent calculated at 66 percent of Gross Receipts net of the 25 percent Parking Taxes, the same percentage as the proposed lease.

percent of Gross Revenues per month net of Parking Taxes, resulting from the operation of the expansion area.

4. In January of 2003, the Port issued an Invitation for Bids for the subject lease. Attachment I, provided by the Port, includes the names of all the publications in which the Invitation for Bids was advertised and the dates of those advertisements. According to Mr. Bauer, a major goal of the Port Commission was to encourage the participation of minority-owned and economically disadvantaged businesses and the Port advertised in a wide variety of publications to reach MBE/WBEs. The Port received requests for 41 bid packages and ultimately received bids from six parking lot operators, two of which were MBE/WBEs. Attachment II, provided by the Port, lists the six companies that responded to the Invitation for Bids and the monthly bid amounts submitted by each. As reported by the Port in Attachment II, Imperial Parking, Inc. was "the highest responsive bidder eligible for the award of this contract."

5. Mr. Riley of the Port declined to comment to the Budget Analyst concerning the Parking Tax violation issues pertaining to Imperial Parking, Inc. which were raised at the Finance and Audits Committee meeting of July 9, 2003.

Recommendations: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Qiao Lin
06/02/03 10:20 AM

To: Jeff Bauer/SFPORT/SFGOV@SFGOV
cc: Warren Young/SFPORT/SFGOV@SFGOV
Subject: Ads for the RFP of Imperial Parking at Seawall Lot 330

Here is the ads I copied from AdTech regarding the RFP. Thanks.

Qiao Yi

AdTech

Orders Created : Total Orders:

Status	Order No	Notice Description	Ad Description	Created Date	Pubdates	Length	Price
Newspaper Name ASIAN WEEK-S.F.							
19	488055	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/06/03, 02/13/03, 02/20/03, 02/27/03,	1.00	
Newspaper Name EL MENSAJERO							
21	494397	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/02/03, 02/09/03,	.00	

					02/16/03, 02/23/03		
Newspaper Name MERCURY NEWS							
21	49441 5	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/03/03, 02/10/03, 02/17/03, 02/24/03	.00	
Newspaper Name PHILIPPINE NEWS							
21	48805 5	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/05/03, 02/12/03, 02/19/03, 02/26/03	.00	
Newspaper Name SAN FRANCISCO BAYVIEW/SF CITY-COUNTY							
21	49440 3	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/05/03, 02/12/03, 02/19/03, 02/26/03	1.00	
Newspaper Name SAN FRANCISCO CHRONICLE							
19	49440 7	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/30/03	02/02/03, 02/16/03	1.00	
Newspaper Name SAN FRANCISCO INDEPENDENT 90%							
21	48805 6	REQUEST FOR PROPOSALS	SWL 330 RFP (PARKING LOT)	01/14/03	02/04/03, 02/13/03, 02/18/03, 02/27/03	1.00	

Newspaper Name: THE OAKLAND TRIBUNE

19	49431 1	REQUEST FOR PROPOSALS	SWL 330: RFP (PARKING LOT)	01/30/03	02/08/03, 02/15/03, 02/22/03, 03/01/03	1:00	

City and County of San Francisco

Willie Lewis Brown, Jr.
Mayor

Human Rights Commission
Contract Compliance
Dispute Resolution/Fair Housing
Minority/Women/Local Business Enterprise
Lesbian Gay Bisexual Transgender & HIV Discrimination

Virginia M. Harmon
Executive Director

MEMORANDUM

TO: Ken Winters, Director Real Estate, Port of San Francisco.
Mark Lozovoy, Asst. Deputy Director, Port of San Francisco.
Elliott Riley, Project Manager, Port of San Francisco.

FROM: Selormey Dzikunu, Contract Compliance Officer
Human Rights Commission

DATE: April 14th, 2003

RE: Award Eligibility for SWL 330 Parking Lot Operations

The Human Rights Commission ("HRC") has evaluated the bids submitted for the above referenced RFP for compliance with HRC requirements. Six firms submitted bids and the HRC and Port staff evaluated all six bids including: Tower Valet, Imperial Parking, City Parking, Bayside Village Associates, Priority Parking and Pacific Park Mgmt. Inc.

BIDDER	CERTIFICATION STATUS	BID AMOUNT	RESPONSIVE	RANKING
TOWER VALET	NONE	$51,500.00	NO	NONE
IMPERIAL PARKING	NONE	$48,280.00	YES	1
CITY PARKING	NONE	$40,700.00	-	2
BAYSIDE VILLAGE	NONE	$36,960.00	-	3
PRIORITY PARKING	MBE	$34,242.00	-	4
PACIFIC PARK MGMT	MBE	$33,502.00	-	5

After reviewing Tower Valet Parking Inc's proposal Port staff determined that it did not meet the minimum bidder qualifications and the proposal was deemed non-responsive.
Paragraph IV (Bidder Qualifications) of the RFP required all bidders to,

> *"have managed not less than 240 parking spaces with combined monthly gross revenue of at least $20,000 (including parking taxes) for a minimum of twenty-four (24) consecutive months within the past five (5) years. In the case of a joint venture at least one of the partners must satisfy this requirement."*

Tower Valet did not meet the above requirement. Additionally Port staff determined that the Dun and Bradstreet report of annual sales for Tower Valet, reflected estimated sales of only $120,000 for a one year period (2000) with no availability of sales records for prior years.

25 Van Ness Avenue
Suite 800
San Francisco

TEL (415) 252-2500
FAX (415) 431-5764
TDD (415) 252-2550

The Project Manager in a letter dated March 28, 2003 informed Tower Valet Parking Inc. of the Port staff determination. As of April 14th, 2003 no protest or explanations have been received from Tower Valet Parking, Inc. The HRC concurs with Port staff's determination of Tower Valet's proposal as non-responsive.

Imperial Parking (U.S.) Inc., the second highest bidder's RFP was reviewed and deemed responsive to all the RFP's requirements. Imperial Parking Inc's proposal is also responsive to all HRC requirements. Based upon the foregoing, the HRC declares Imperial Parking (U.S.) Inc. the highest responsive bidder eligible for the award of this contract. If you have any questions, please do not hesitate call me at (415) 274-0511

Item 3 - File 03-1264

Department: Department of Elections

Item: Hearing to consider the release of reserved funds in the amount of $250,000 for funding outreach for ranked-choice voting for the November 4, 2003 election.

Description: In March of 2002, the voters of San Francisco approved a Charter Amendment (Proposition A) to require the City to use an Instant Run-Off (also known as Ranked Choice) voting method to replace separate run-off elections for local offices.

In June of 2003, the Finance and Audits Committee recommended approval of a supplemental appropriation (File 03-0845) for $526,000 from the General Fund Reserve for the Department of Elections to conduct public education and outreach for Ranked-Choice Voting for the November 4, 2003 election. The Board of Supervisors subsequently added $250,000, for a total supplemental appropriation of $776,000 (File 03-0845; Ordinance No. 169-03), for public education and outreach on Ranked-Choice Voting, and placed the additional $250,000 on reserve, if necessary for the Department of Elections to fully fund public education and outreach for Ranked-Choice Voting. The proposed request by the Department of Elections is to release the subject $250,000 on reserve.

Budget: Attachment I, provided by the Department of Elections, is a budget identifying expenditures for $245,668 of the requested $250,000 on reserve, or $4,332 less than the amount on reserve. Attachment II, provided by the Department of Elections, is a budget identifying expenditures for the initial $526,000 appropriation. Overall, the Department has identified $771,668 ($245,668 plus $526,000) of expenditures, or $4,332 less than the $776,000 total appropriation approved by the Board of Supervisors for public education and outreach for Ranked-Choice Voting.

Comments:

1. In response to the March of 2002 voters approval of Ranked-Choice Voting, the Department of Elections amended an existing contract with Elections Systems & Software (ES&S) to develop a computerized Ranked-Choice Voting System (see Comment No. 2 below) and also submitted an application to the Secretary of State for certification of a manual Ranked-Choice Voting System. On July 21, 2003, the Secretary of State Elections Division issued an Administrative Review and Analysis Report on the City and County of San Francisco's Ranked-Choice Voting Manual Data Capture and Tabulation Procedures. The concluding finding and recommendation in this Secretary of State report was that "Although the Department did a tremendous job in trying to develop a Ranked-Choice Voting (RCV) system that they could utilize in the absence of a fully automated system, it is the conclusion of staff. . . that there are significant defects in the design and operation of the RCV system as detailed in this report. Thus it is staff's recommendation that the application not be approved."

On July 28, 2003, the State's Voting Systems and Procedures Panel met and unanimously concluded that, given the findings contained in the July 21, 2003 staff report, San Francisco's proposed Manual Data Capture and Tabulation Procedures for conducting Ranked-Choice Voting would not be certified by the State.

2. In June of 2003, the Board of Supervisors approved a separate supplemental appropriation (File 03-0742) of $1,600,000 from the General Fund Reserve for the Department of Elections to fund an amendment to an existing contract with Elections Systems & Software (ES&S) to modify the City's existing elections hardware and software systems for implementation of Ranked-Choice Voting in San Francisco. As part of this amended contract between the Department of Elections and ES&S, and as outlined in Attachment III, an April 24, 2003 memorandum from Mr. John Arntz, Director

of the Department of Elections to the President of the Board of Supervisors, Mr. Arntz reported that various Critical Milestones needed to be achieved by ES&S in order for payments to be made by the City to ES&S. Mr. Arntz advises that the amended agreement between ES&S and the Department requires that ES&S submit a completed Application for Certification of a Ranked-Choice Voting (RCV) System to the California Secretary of State, in order to achieve Critical Milestone #1. Mr. Arntz also reports that the ES&S agreement requires approval by the Secretary of State of ES&S's RCV-modified voting system, in order to achieve Critical Milestone #2. Specifically, the ES&S contract states that the City may terminate the ES&S agreement as to all future work on the RCV modifications upon giving ES&S three days advance written notice if for any reason the California Secretary of State fails to certify the RCV-modified system on or before August 1, 2003. Mr. Arntz advised the Budget Analyst that, as of the writing of this report, ES&S has not fully achieved any of the Critical Milestones contained in the contract with the City and, as a result, to date, no payments have been made by the City to ES&S as part of the $1,600,000 agreement.

3. Mr. Arntz advises that the Elections Commission is scheduled to meet on August 6, 2003 to consider the issue of Ranked-Choice Voting for the November 4, 2003 election.

4. According to Mr. Arntz, to date, the Department has not expended any of the initial funds of $526,000 in the supplemental appropriation previously approved by the Board of Supervisors, even though the Board of Supervisors did not place a reserve on any of these funds.

5. In summary, given that (1) on July 28, 2003, the State's Voting Systems and Procedures Panel unanimously concluded that the Department of Elections proposed Manual Data Capture and Tabulation Procedures for conducting Ranked-Choice Voting would not be certified by the State,

(2) to date, the ES&S vendor has not completed any of the Critical Milestones in the $1,600,000 agreement with the Department of Elections to modify the City's existing elections hardware and software systems for implementation of a computerized Ranked-Choice Voting system in San Francisco, (3) the Elections Commission is scheduled to meet on August 6, 2003 to consider the issue of Ranked-Choice Voting for the November 4, 2003 election, and (4) the Department has not expended any of the initial $526,000 supplemental appropriation of funds, that was not placed on reserve, for public education and outreach for Ranked-Choice Voting, the subject request for the release of an additional $250,000 for public education and outreach for Ranked-Choice Voting for the November 4, 2003 election does not appear to be justified.

Recommendation: Do not release the requested $250,000 on reserve.

Harvey M. Rose

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

RCV Public Education Plan - $250,000 Supplemental

1	**RCV Flyers for Voting Booths/RCV Informational Posters**							
	Advertising	Muni (800 Bus Inside Posters) 11" high x 28" wide	$2,000.00	1	week (extra)	$2,000.00		$2,000.00
	Printing	Posters - Bus Tail	$50.00	50	pcs	$2,500.00		$2,500.00
	Advertising	Muni (50 Bus Tail Posters) 21" high x 70" wide	$1,875.00	4	weeks	$7,500.00		$7,500.00
							Total	**$12,000.00**
2	**Grants to Primary Organizations for RCV Outreach**							
		District-wide RCV Outreach (Supplements $100,000 from original budget to make total grant to primary organizations $110,000 total or $10,000 for each of 11 organizations	$10,000.00					$10,000.00
							Total	**$10,000.00**
3	**Grants to Secondary Organizations for RCV Outreach**							
		Targeted RCV Outreach- Low voter turnout, Voting Rights Act, Younger Voters, Senior and Disabled Voters (See Plan Approved by Elections Commission 7/16/03). Distribution based on forthcoming grant applications.	$100,000.00					$100,000.00
							Total	**$100,000.00**
4	**Grant to Ethnic Media Outreach**							
		Targeted RCV Outreach at Ethnic Media (See Plan Approved by Elections Commission 7/16/03)	$25,000	1	grant			$25,000.00
							Total	**$25,000.00**
5	**RCV Specific Poll Worker Training**							
		Poll Worker Stipend	$10.00	500	poll workers	$5,000.00		$5,000.00
		Classroom Rental	$15.00	85	hours	$1,275.00		$1,275.00
		Trainers	$40.00	85	class	$3,400.00		$3,400.00
		Project Management (5 weeks at 19 hrs per week)	$46.00	95	hours	$4,370.00		$4,370.00
		Printing	$1,000.00	1	batch	$1,000.00		$1,000.00
		Postage	$1,000.00	1	batch	$1,000.00		$1,000.00
							Total	**$16,045.00**

6	**RCV Poll Worker Training Manual**							
		Additional RCV Specific Training Manual for poll workers, 6 pages, stapled	$5,000.00	5,000	manuals			5,000
							Total	**$5,000.00**
7	**RCV Grant Coordinator**							
	Aug-Oct	3 Months						
		Avg. of 25 working days/month (includes OT)	$25.00	600	hours	$15,000.00		$15,000.00
							Total	**$15,000.00**
8	**RCV Advertisements Neighborhood News Letter (1/4 Page Ads.)**							
		Paid Ads. in S.F. Neighborhood Newspaper Assoc.						
		Central City Extra	$200.00	6	insertions	$1,200.00		
		El Tecolote	$276.00	6	insertions	$1,656.00		
		Gateway Gazette	$350.00	6	insertions	$2,100.00		
		Marina Times	$375.00	6	insertions	$2,250.00		
		New Bernal Journal	$115.00	6	insertions	$690.00		
		New Fillmore	$375.00	6	insertions	$2,250.00		
		New Mission News	$250.00	6	insertions	$1,500.00		
		Noe valley Voice	$196.00	6	insertions	$1,176.00		
		North Beach Journal	$230.00	6	insertions	$1,380.00		
		Richmond ReView	$375.00	6	insertions	$2,250.00		
		San Francisco Bay View	$450.00	6	insertions	$2,700.00		
		San Francisco Downtown	$426.00	6	insertions	$2,556.00		
		San Francisco Observer	$355.00	6	insertions	$2,130.00		
		Sunset Beacon	$375.00	6	insertions	$2,250.00		
		West of Twin Peaks Observer	$284.00	6	insertions	$1,704.00		
		West Portal Monthly	$375.00	6	insertions	$2,250.00		
		Total of 16 Neighborhood Newspapers	$5,007.00	6	insertions	$30,042.00	10% disc	$27,037.80
							Total	**$27,037.80**

9	**Fairs / Festivals (Booth Rental for RCV information specific booth)**					
	10-Aug	Nihonmachi Street Fair				$60.00
	31-Aug	Third Street Faire				$250.00
	14-Sep	Autumn Moon Festival				$400.00
	28-Sep	The ACORN and Friends Community Fair				$150.00
	28-Sep	Folsom Street Fair				$250.00
	6-Oct	Castro Street Fair				$150.00
	12-Oct	Potrero Hill Fall Festival				$25.00
	20-Oct	Fiesta on the Hill				$190.00
	26-Oct	Chinatown Community Health Fair				$100.00
					Total	**$1,575.00**

10	**Video Production- 15 minute instructional training video with voice over in 5 languages**						
	Pre-production						
	Script Writing	$25.00	40	hours	$1,000.00		$1,000.00
	Cost of Talent	$1,000.00	3	people	$3,000.00		$3,000.00
	Animation Consultant	$25.00	40	hours	$1,000.00		$1,000.00
							$11,570.00
	Production						
	Video production crew (3 persons)	$89.00	48	hours	$4,272.00		$4,272.00
	Director	$89.00	16	hours	$1,424.00		$1,424.00
	Production manager	$89.00	16	hours	$1,424.00		$1,424.00
	Graphic design	$89.00	48	hours	$4,272.00		$4,272.00
	Voice over recording	$89.00	2	hours	$178.00		$178.00
							$6,760.00
	Post-production						
	Editing, music, sound design	$89.00	60	hours	$5,340.00		$5,340.00
	Captioning service	$195.00	5	hours	$975.00		$975.00
	CityWatch Staff	$89.00	5	hours	$445.00		$445.00
							$10,680.00
	Langage						
	Voice over recording	$89.00	8	hours	$712.00		$712.00
	Editing (insert of language)	$89.00	80	hours	$7,120.00		$7,120.00
	Language graphics	$89.00	32	hours	$2,848.00		$2,848.00
						Total	**$34,010.00**

Grand Total **$ 245,667.80**

VI. RCV Public Education Plan
Budget DRAFT $526,000

Mechanism	Detail	Avg. Cost per Detail	No. of Details	UM	Total Cost	No. of Staff *	Staff Cost/hr	Staff hours required	Total Labor Cost	Overall Cost
[illegible] PRINT [illegible]										
CityWide Mailing										
	- Oversize tri-fold, tri-lingual flyer (design, layout, printing, translation, labeling, postage	$0.67	450000	flyers	$300,000.15					$300,000.00
									Total	$300,000.00
Flyers/Posters										
	Tri fold Flyers in 4 Languages	$275.00	60	box	$16,500.00					$16,500.00
Translations	3 Languages					3	$25.00	80	$6,000.00	$6,000.00
Flyers	Staffing (Preparation)					1	$25.00	160	$4,000.00	$4,000.00
									Total	$26,500.00
Voter Information Phamplet										
45	Typesetting, Layout, Assembly, Printout, Translation, Postage	$5,000.00	4	pgs	$20,000.00					$20,000.00
	Staffing (Preparation)					2	$25.00	40	$2,000.00	$2,000.00
	Staffing (Implementation)					2	$25.00	40	$2,000.00	$2,000.00
									Total	$24,000.00

[illegible] ELECTRONIC MEDIA [illegible]

*Quotes based on project proposed provided by Department of Information Technology on June 27, 2003. The Department is reviewing the proposal to prepare a package based on $40,500 recommended in Budget Analyst Report

B.

Mechanism	Detail			
Web Pages	Interactive Flash Movie			
	Interactive Flash			
	Demonstration			
	Dynamic Elections Charts			
	Video Integration			
	Video Encoding			
	Web Site Setup			
	Monthly Useage Fee			
		Total	$	40,500.00

II.

A. [illegible] Presentations [illegible]

Mechanism	Detail	No. of Details	UM	Total Cost	Total Labor Cost	Overall Cost
Community Organization Grants						
	Organization Grants (11 districts)	11	grants	$100,000.00		$100,000.00
					Total	$100,000.00

Poll Worker Training Session

VI. RCV Public Education Plan
Budget DRAFT $526,000

Mechanism	Detail	Avg. Cost per Detail	No. of Details	UM	Total Cost	No. of Staff *	Staff Cost/hr	Staff hours required	Total Labor Cost	Overall Cost
	Poll Worker's Stipend	$10.00	3500	PW	$35,000.00					$35,000.00
									Total	$35,000.00

Grand Total:
$526,000.00

III.

A

Legend: UM - Unit of measure

B.

46

DEPARTMENT OF ELECTIONS
City and County of San Francisco

JOHN ARNTZ
Director

TO: Honorable Matt Gonzalez, President San Francisco Board of Supervisors
FROM: John Arntz, Director, Department of Elections
SUBJECT: Supplemental Appropriation for ES&S Contract
DATE: April 24, 2003

I am sending this memorandum in response to your request for information regarding the cost of modifying the contract with our election systems provider ES&S to implement ranked-choice voting for the November 4, 2003 election.

Please note that the Department and ES&S have not finalized every aspect of the contract as of today. Still, the process is nearly complete for clarifying what ES&S will provide to the City and the costs for this service. Even though we do not expect the costs listed in this memorandum to change before finalizing the contract, there is always the chance that the amounts may increase or decrease.

Presently the cost of the vendor-supplied services will not exceed $1.5 million in addition to the annual service payment of $145,900

The milestone payments are scheduled as follows:

1. Payment # 1 – If ES&S has delivered the design specifications for all RCV-modified Hardware, Firmware, and Application Software to Department of Elections, ES&S may submit an invoice for $100,000.

2. Payment #2 – If ES&S has met RCV Critical Milestone #1 on or before June 2, 2003, it may submit an invoice for $200,000. If ES&S has failed to meet RCV Critical Milestone #1 on or before June 2, 2003 but has met the critical milestone on or before June 9, 2003, it may submit an invoice for $150,000. If ES&S has failed to meet RCV Critical Milestone #1 on or before June 9, 2003 but has met the critical milestone on or before July 1, 2003, ES&S may submit an invoice for $100,000.

3. Payment #3 – If ES&S has met RCV Critical Milestone #2, ES&S may submit an invoice for $200,000.

4. Payment #4 – If ES&S has met RCV Critical Milestone #3, ES&S may submit an invoice for: (a) $250,000, if ES&S met RCV Critical Milestone #1 after June 9, 2003; (b) $200,000, if ES&S met RCV Critical Milestone #1 after June 2, 2003 but on or before June 9, 2003; or (c) $150,000, if ES&S met RCV Critical Milestone #1 on or before June 2, 2003.

5. Payment #5-ES&S may submit an invoice for $100,000 on November 5, 2003, if ES&S has satisfactorily performed all election day Services in accordance with Appendices B, C-1, and D.

6. Payment #6 – If ES&S has met RCV Critical Milestone #5, it may submit an invoice for $750,000.

As referenced in the payment schedule, Critical Milestone #1 requires ES&S to submit an Application for Certification of a RCV-modified Voting System to the California Secretary of State; Critical Milestone #2 requires approval by the Secretary of State of that RCV-modified voting System; Critical Milestone #3 requires delivery of the Eagle Hardware Upgrade material, installation of all Hardware, Firmware, and Application Software certified by the Secretary of State, and performance of Initial and End to End RCV Acceptance Testing of all RCV Hardware, Firmware, and Application Software; Critical Milestone #5 requires certification of the Logic and Accuracy testing.

Please contact the Department at (415) 554-4375 if you need any additional information.

J.A.

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

City Hall
1 Dr. Carlton B
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, August 13, 2003 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

0 251
2
8/17/03

Members Present: Aaron Peskin, Jake McGoldrick.

Members Absent: Gerardo Sandoval.

MEETING CONVENED

DOCUMENTS DEPT.

AUG 1 8 2003

SAN FRANCISCO
PUBLIC LIBRARY

The meeting convened at 12:37 p.m.

REGULAR AGENDA

030677 [Requiring Slip Resistant Manhole Covers and Sub-sidewalk Basement Cover]

Supervisors Peskin, Dufty

Ordinance adding Public Works Code Section 790 to require the installation of slip resistant manhole covers and sub-sidewalk basement covers in compliance with the Americans with Disabilities Act's Accessibility Guidelines' recommended standards, to grant the Director of Public Works authority to enforce requirements, and to provide for administrative and civil penalties for violations.

(Fiscal impact.)

4/22/03, RECEIVED AND ASSIGNED to City Services Committee.

7/23/03, TRANSFERRED to Finance and Audits Committee The Budget Analyst reports that this item has fiscal impact

Speakers: None.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031058 **[Supplemental appropriation for the Day Labor Program 2003-2004]**

Supervisor Ammiano

Resolution requesting a supplemental appropriation in the amount of $75,000 for the 2002-2003 fiscal year and $90,000 for the 2003-2004 fiscal year to support the operation of the San Francisco Day Labor Program.

6/10/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Speakers: None.
Continued to 8/20/03.

CONTINUED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031244 **[Glen Park Branch Library]**

Supervisor Dufty

Ordinance approving and authorizing the Director of Property to execute an Agreement of Purchase and Sale of Real Property with Glen Park Marketplace Phoenix, LLC, for the purchase of a condominium unit in a mixed use project to be located at Diamond and Wilder Streets for use as the Glen Park branch of the San Francisco Public Library; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this Ordinance.

(Fiscal impact.)

7/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Susan Hildreth, SF Public Library; Charlie Dunn, Administrative Services Department; Lawrence Badiner, Planning Department; Ted Lakey, Deputy City Attorney; Supervisor Dufty; Zoanne Nordstrom; Don Williams; Miriam Moss; Andrea O'Leary; Jay Estey; John Rohosky; Carrie Hestor; Lesley Frana; Gordon Jack; Kyra Baele; James Chaffee; Peter Warfield; Charlie Stevenson; Harvey Rose, Budget Analyst; Donnell Choy, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031181 **[Emergency Repair, 30 Van Ness Avenue Roof Replacement]**

Resolution concurring with and supporting the Director of the Department of Real Estate's finding and declaration of an emergency; urging the Departments of Real Estate and Public Works to take necessary measures in the most expeditious manner to protect the safety, health, welfare, and property of the citizens and employees of the City and County of San Francisco with regard to the severe leakage and drainage problems caused by the failing roof at 30 Van Ness Avenue, at an estimated cost of $1.1 million for a new roof. (Public Works Department)

(Fiscal impact; No Public Benefit Recipient.)

7/7/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Male Speaker, Department of Public Works; Harvey Rose, Budget Analyst.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031255 **[Extension of Agreement For Additional Eighteen-Month Tolling of Statute of Limitations Governing Administrative Proceeding or Suit]**

Resolution approving the City Attorney's entry into a Second Extension of Tolling Agreement governing administrative proceeding or suit by the United States Environmental Protection Agency and the Casmalia Resources Site Steering Committee, effective June 6, 2003.

(No Public Benefit Recipient.)

7/21/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Ted Lakey, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031278 **[Accept-Expend Federal Grant, Department of Parking and Traffic]**

Mayor

Resolution authorizing the Department of Parking and Traffic to retroactively apply for, accept and expend a grant in the amount of $560,000 from the Federal Highway Administration with required local match of $140,000 for pedestrian safety improvements, education, and evaluation under Phase 2 of an ongoing project. (Mayor)

7/22/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Nick Carr, Department of Parking and Traffic.

8/13/03 Amend the title on page 1 line 4 after "of" add "up to"; at line 5 after "of" replace "$140,000" with "up to $142,000". At page 2 line 4 after "of" add "up to"; at line 5 after "of" replace "$140,000" with "up to $142,000".

AMENDED.

Resolution authorizing the Department of Parking and Traffic to retroactively apply for, accept and expend a grant in the amount of up to $560,000 from the Federal Highway Administration with required local match of up to $142,000 for pedestrian safety improvements, education, and evaluation under Phase 2 of an ongoing project. (Mayor)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031315 **[MOU - Fire Fighters Union, Local 798 IAFF, AFL-CIO, Unit 1]**

Mayor, Supervisor Dufty

Ordinance adopting and implementing the Memorandum of Understanding between the City and County of San Francisco and the San Francisco Fire Fighters Union, Local 798 IAFF, AFL-CIO, Unit 1, to be effective July 1, 2003 through June 30, 2005.

7/29/03, RECEIVED AND ASSIGNED to Budget Committee.

8/7/03, TRANSFERRED to Finance and Audits Committee.

Heard in Committee. Speakers: Alice Villagomez, Department of Human Resources; Jim Corrigan; Joe Wilson, Coleman Advocates; John Hanley, SFFF Local 798.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031316 **[MOU - Fire Fighters Union, Local 798 IAFF, AFL-CIO, Unit 2]**

Mayor, Supervisor Dufty

Ordinance adopting and implementing the Memorandum of Understanding between the City and County of San Francisco and the San Francisco Fire Fighters Union, Local 798 IAFF, AFL-CIO, Unit 2, to be effective July 1, 2003 through June 30, 2005.

7/29/03, RECEIVED AND ASSIGNED to Budget Committee.

8/7/03, TRANSFERRED to Finance and Audits Committee.

Heard in Committee. Speakers: Alice Villagomez, Department of Human Resources; Jim Corrigan; Joe Wilson, Coleman Advocates; John Hanley, SFFF Local 798.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

ADJOURNMENT

The meeting adjourned at 2:56 p.m.

[Budget Analyst Report]
Susan Hom
Main Library-Govt. Doc. Section

DOCUMENTS DEPT
AUG 1 1 2003
SAN FRANCISCO
PUBLIC LIBRARY

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

90.251
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/13/03

August 7, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: August 13, 2003 Finance and Audits Committee Meeting

Item 1 – File 03-0677

Note: This report reflects an Amendment of the Whole which the sponsor intends to introduce for the Finance and Audits Committee meeting of August 13, 2003.

Departments: Department of Public Works (DPW)
Public Utilities Commission (PUC)

Item: Ordinance adding Section 790 to the Public Works Code to require the installation of slip resistant manhole covers, vaults, and sub-sidewalk basement covers, grilles, grates, or other lids, excluding sewer vent and trap covers, on the public sidewalk in compliance with the U.S. Architectural and Transportation Barriers Compliance Board's slip resistant recommendations, to grant the Director of Public Works authority to enforce requirements, and to provide for administrative and civil penalties for violations.

Description: Currently, according to Mr. John Kennedy of the City Attorney's Office, the City has no requirements regarding the installation of slip resistant manhole, vaults, and sub-sidewalk basement covers, grilles, grates or other lids on the public sidewalk (collectively referred to as sidewalk

covers). The proposed ordinance would add Section 790 to the Public Works Code to require that every person, firm or corporation, including the City, owning or having control of a sidewalk cover, excluding sewer vent and trap covers, must comply with the U.S. Architectural and Transportation Barriers Compliance Board's slip resistant recommendations. The proposed ordinance would require that sidewalk cover surfaces comply with the latest published edition of the American Standard Test Method (ASTM), Standard C1028 at the time of project design approval. However, according to Mr. Kevin Jensen of the Department of Public Works, the ASTM standard may not be appropriate for determining whether or not a sidewalk cover is slip resistant. Mr. Jensen advises that he will make a recommendation to the Finance and Audits Committee at the August 18, 2003 meeting regarding the appropriate slip resistant standard for sidewalk covers. Mr. Jensen states that he will conduct research in collaboration with Mr. Kennedy to reach such a recommendation.

The proposed ordinance would require the Department of Public Works (DPW) to enforce the provisions related to sidewalk covers. The proposed ordinance authorizes the Director of the DPW to issue a notice of violation to an owner or person having control of a sidewalk cover which does not have a slip resistant cover. The entity owning or having control of the sidewalk cover could request the DPW to hold a public hearing within seven days of the receipt of the notice of violation in order to contest the violation. If the entity owning or having control of the sidewalk cover does not request a hearing within that seven day period, the violation would be presumed final and the owner would have 30 days to abate the violation by installing the slip resistant cover. If the entity owning or having control fails to abate the violation, the DPW is authorized to abate the violation in the manner that the Director of DPW determines is expedient and appropriate, and then the violator would be required to reimburse the DPW for the costs incurred by the DPW in installing the slip resistant sidewalk cover.

The proposed ordinance also authorizes the Director of DPW to assess administrative penalties, in his or her

discretion but not to exceed $1,000 per day per violation. The proposed ordinance also authorizes the Director of the DPW to bill the entity owning or having control of the sidewalk cover for the reasonable enforcement costs, including attorney's fees. The proposed ordinance also provides for civil penalties, the amount of which would be determined by a court, but not to exceed $500 per day. Therefore, the administrative penalties combined with civil penalties could not exceed $1,500 per day.

Comments:

1. According to the Office of the Sponsor, the intent of the proposed ordinance is to protect the public from injuries that may result from slipping on sidewalk covers. Mr. Kennedy states that the proposed ordinance would apply to manhole covers owned and controlled by the PUC and private utilities and other sidewalk covers owned or controlled primarily by commercial businesses. Mr. Kennedy states that the proposed ordinance would exclude sidewalk sewer vents or traps[1] which are owned and controlled by property owners, as a result of their indoor plumbing which must conform to the City's Plumbing Code.

2. According to Mr. Tom Franza of the Public Utilities Commission (PUC), the PUC maintains approximately 1,000 manhole covers that are on public sidewalks. Mr. Franza advises that none of these manhole covers have slip resistant covers that meet the ASTM standards. Mr. Franza states that the cost effective approach to meet ASTM standards would be to coat manhole covers with a slip resistant spray-on material. As shown in the Attachment, provided by Mr. Franza, the estimated initial cost to coat the approximately 1,000 manhole covers is $100,000 or $100 per cover. Mr. Franza notes that this coating process may need to be repeated every three to five years to ensure that the manhole covers remain slip resistant, therefore resulting in additional ongoing costs. According to Mr. Franza such ongoing costs cannot be estimated at this time but would depend on the future cost of coating the manhole cover and how often the

[1] Sewer vents or traps are required by the City's Plumbing Code to be two feet from the curb on the sidewalk. These vents or traps are typically four inches by four inches with perforated mental covers.

coating process would need to be repeated. As shown in the Attachment, the cost of coating manhole covers in the street, which are not included in the proposed ordinance, is $30 more expensive then the cost of coating manhole covers on the sidewalk.

3. As of the writing of this report, the DPW could not provide an estimate of the number of privately owned and controlled manhole covers or other sidewalk covers that are not slip resistant and could not provide a cost estimate for enforcing the proposed ordinance. Ms. Barbara Moy of the DPW states that the DPW would likely enforce the proposed ordinance based on complaints.

4. For privately owned sidewalk covers, Mr. Franza advises that the cost of coating the sidewalk covers to make them slip resistant would be approximately $6 per square foot plus a service charge if a private vendor were to perform the work. Mr. Franza cannot estimate the cost of replacing sidewalk covers instead of coating the covers.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

SLIP RESISTANT MANHOLE COVERS
BY: TJFRANZA 7/31/03

Preliminary estimate to provide public sewers with a non-slip type manhole cover meeting ASTM Standard C1028

Assumptions:
- Existing covers do not meet ASTM Standard C1028
- Covers are coated at a centralized location to meet ASTM Spec
- Coating cost is based on informal vendor conversations
- Transportation cost is for roundtrip to and from coating location

	ALL COVERS		PEDESTRIAN AREAS ONLY	
	Street	Sidewalk	Street	Sidewalk
Coating Application				
Approximate number of covers City-wide:	23,800	1,000	1,000	1,000
Coatings, est. cost per cover	$60	$30	60	$30
Total estimated coating cost	$1,428,000	$30,000	$60,000	$30,000
Cover Transportation				
Estimated transportation time per cover, hours:	0.50	0.50	0.50	0.50
Crew cost per hour; burdened (2 persons@$70/hr)	$140	$140	$140	$140
Total estimated labor cost:	$1,666,000	$70,000	$70,000	$70,000
One-Time Cost:	$3,094,000	$100,000	$130,000	$100,000
Cost per Cover:	$130	$100	$130	$100
	Total	**$3,194,000**	**Total**	**$230,000**

Note: No attempt is made here to address maintenance costs over the long term. It is possible that coated covers will have to be redone every 3 to 5 years, so there will be long term O&M costs.

Item 3 - File 03-1244

Department: Department of Administrative Services, Division of Real Estate (DRE))
Public Library

Item: Approving and authorizing the Director of Property to execute an Agreement of Purchase and Sale of Real Property with Glen Park Marketplace Phoenix, LLC, for the purchase of one condominium unit in a mixed use project to be located at Diamond and Wilder Streets for use as the Glen Park branch of the San Francisco Public Library; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this Ordinance.

Amount: $3,361,000

Source of Funds: Proposition A Branch Library Facilities Improvements Bonds, 2000

Description: Approval of the proposed resolution would authorize the Director of Property to execute an Agreement to purchase one condominium unit, for $3,361,000 plus $109,000 for related costs, in a facility to be constructed at the southeast corner of Diamond and Wilder Streets, on behalf of the Public Library for use as the Glen Park Branch of the San Francisco Public Library. The subject property to be purchased by the City is located at 2815 Diamond Street. The property is part of a proposed mixed-use residential and commercial facility, which will be constructed by the owner, Glen Park Market Place Phoenix, LLC, referred to as the Seller, on property known as Assessor's Block 6745 Lots 63, 25a, 26, 27, 28, and 29. According to Ms. Susan Hildreth of the Public Library, as of the writing of this report, the Public Library cannot project when construction of the new mixed-use residential and commercial facility will begin (see Comment No. 4). Ms. Hildreth estimates that, once

started, the construction will take approximately two years. According to Ms. Hildreth, the building will include 17 condominium units as follows: (a) one condominium unit with approximately 7,000 square feet of commercial space on the ground floor to be used as a retail grocery store, (b) 15 condominium units with a total of approximately 30,000 square feet of residential space on the second and third floors to be used as individual residences, and (c) one condominium unit with approximately 9,200 square feet of commercial space on the ground floor and second floor to be used as the Glen Park Branch of the San Francisco Public Library.

The proposed 9,200 square foot condominium unit, to be purchased by the City, which would have a separate main entrance on the ground floor, would consist of approximately 700 square feet on the ground floor, to be used as the library lobby, and approximately 8,500 square feet on the second floor, to be used as the basic library space, resulting in a total of 9,200 square feet. Additionally, approximately 4,000 square feet of air rights will be purchased above a portion of the second floor. According to Mr. Charlie Dunn of the RED, air rights are the ownership space above the structure, and are included in the subject agreement in order to make the Library's unit distinctive from the street. The air rights space would provide for the installation of skylights.

According to Ms. Hildreth, the entire 16,000 square feet of land owned by the Glen Park Marketplace Phoenix, LLC at 2815 Diamond Street, known as Assessor's Block 6745 Lots 63, 25a, 26, 27, 28, and 29, is currently vacant, with a portion of the property currently being used as a metered parking lot, accommodating approximately 25 parking spaces, operated by the Department of Parking and Traffic (DPT) under a month-to-month lease with the Glen Park Marketplace Phoenix, LLC. In FY 2002-2003, the City received $10,164 in annual revenue from the City parking lot, according to Mr. Ron Szeto of the DPT.

Ms. Hildreth advises that the acquisition cost of $3,361,000 to purchase the subject condominium unit at 2815 Diamond Street will be funded through previously

authorized voter approved Proposition A Bond funds, known as the Branch Library Facilities Improvements Bonds, 2000. Such bonds were approved by the voters in November of 2000 to renovate 19 of the 26 Public Library's existing branch libraries, acquire land and construct new branch libraries for four of the 26 existing branches libraries currently operating in leased facilities, and to construct one new Mission Bay Branch Library.

The Glen Park Branch Library is currently located in approximately 1,500 square feet of a leased facility located at 653 Chenery Street for which the Public Library pays approximately $1,875 per month, or approximately $1.25 per square foot per month. The current lease will expire on January 31, 2005, at which time the City will cease to lease the existing space.

Location: 2815 Diamond Street, at the southeast corner of Diamond and Wilder Streets, San Francisco.

Seller: Glen Park Marketplace Phoenix, LLC

Buyer: City and County of San Francisco

Purchase Price: $3,361,000, for 9,200 square feet of condominium space and 4,000 square feet of air rights, located at 2815 Diamond Street plus an estimated $109,000 for associated costs, including closing and title insurance, appraisal, and City Attorney services. A budget for the estimated $109,000 in associated costs, to be funded by the Proposition A Branch Library Facilities Improvements Bonds, 2000, is shown in Attachment I, provided by Ms. Hildreth. The purchase price of $3,361,000 results in a cost per square foot of approximately $365.33 based on 9,200 square feet. The City would hold back at closing 10 percent of the purchase price, or $336,100 as a "Punchlist Reserve" which would be paid to the Seller by the City after the Seller has completed any needed modifications or corrections to the condominium unit.

Comments: 1. According to Mr. Dunn, the subject property was appraised at $3,375,000 on July 8, 2002 by Carneghi-Bautovich and Partners, Inc., a firm retained by the Real Estate Division. Attachment II, provided by Mr. Dunn, is

a copy of the appraisal report prepared by Carneghi-Bautovich and Partners, Inc. on the subject property. The proposed acquisition costs of $3,361,000 to be paid by the City is $14,000 below the appraised value of $3,375,000, according to the DRE.

2. In addition to the acquisition costs of $3,361,000, according to Ms. Hildreth, the Public Library will need to fund interior improvements to the shell condominium being purchased, including $761,000 in construction costs or approximately $82.72 per square foot, and $450,000 in design expenses, for total estimated costs of $1,211,000 also to be funded from the Branch Library Facilities Improvement Bond Funds. A summary budget for these estimated costs of $1,211,000, provided by the Public Library, is shown in Attachment III.

3. According to Ms. Hildreth, furniture, estimated to cost $500,000, will be paid by the Friends and Foundation of the San Francisco Public Library.

4. As noted above, Ms. Hildreth states that the Public Library is currently unable to determine when construction work for the new facility at 2815 Diamond Street will begin due to a pending civil lawsuit against the City and the Planning Commission. Attachment IV is a memorandum provided by Ms. Hildreth, pertaining to the environmental review of the Glen Park Branch Library and the pending civil lawsuit filed against the City and the Planning Commission. Mr. Dunn states that the City is entering into the purchase agreement at this time so that the Seller will develop the new facility according to specific library requirements. Mr. Dunn states that no City funds will be paid to the Seller until construction is complete. According to Mr. Dunn, if the new Glen Park Branch Library is not completed by January 31, 2005, when the existing Glen Park Branch Library lease expires, the RED plans to renew the existing lease on a month-to-month basis until the proposed new Glen Park Branch Library becomes operational.

5. On December 5, 2002, the Department of City Planning found that the proposed acquisition of the condominium

unit at 2815 Diamond Street is consistent with the City's General Plan and the Eight Priority Policies under Planning Code Section 101.1.

6. On December 5, 2002, the Department of City Planning approved a mitigated Negative Declaration on the project to build the new mixed-use residential and commercial facility at 2815 Diamond Street.

Recommendation: Approve the proposed resolution.

GLEN PARK BRANCH LIBRARY

PROPERTY ACQUISITION ASSOCIATED COSTS

PROPERTY ACQUISITION ASSOCIATED COSTS	AMOUNT
Closing costs & Title Insurance [1]	$15,000
Appraisal [2]	7,000
City Attorney services [2]	83,000
CEQA & General Plan Referral [1]	4,000
Total:	**$109,000**

1 Estimated
2 Paid or Quoted

CBP CARNEGHI-BAUTOVICH & PARTNERS, INC.
Real Estate Appraisers & Consultants in Urban Economics

July 12, 2002

Mr. Marc S. McDonald
Director of Property
Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Re: 02-ASF-179, Appraisal
Proposed Glen Park Branch Library
Condominium, 2815 Diamond Street
San Francisco, California

Dear Mr. McDonald:

In accordance with your request and authorization, Carneghi-Bautovich & Partners, Inc. has prepared an appraisal of the above referenced property. The subject property appraised is a commercial condominium which is proposed for construction as the new Glen Park branch for the City of San Francisco Library. The condominium is to be located in the Glen Park Marketplace development which will include a 6,500 square foot grocery store on the ground floor, the subject library on the second floor, with a small lobby on the ground level, and 15 residential condominiums. The total project will consists of approximately 35,000 square feet on three stories. The site is located at the corner of Diamond and Wilder Streets in the Glen Park Village, the central retail area of the Glen Park Neighborhood.

The subject condominium will include 700 square feet on the ground floor, 8,500 square feet on the second floor, and 4,000 square feet of air rights above a portion of the second floor. The air rights area allows for the condominium to have lighting via skylights (up to 6 included) and to house mechanical systems on the roof (not included). It also conceivably could allow expansion of the library in the future. As appraised, the condominium will be a modified warm shell and will be structurally engineered for the load requirements of a library (live load at 150 lbs. per square foot), but will not yet be improved with interior tenant improvements and shelving. Two restrooms are to be included with the City to install additional employee and children's restrooms. HVAC equipment will not be included, but all utilities will be stubbed to the space. The elevator will not be included and there will be no onsite parking for the library.

San Francisco Office • 250 Montgomery St. Ste 210 • San Francisco, CA 94104 • 415-398-2666 • FAX 415-399-8910
San Jose Office • 1602 The Alameda, Ste 205 • San Jose, CA 95126 • 408-535-0900 • FAX 408-535-0909

The larger subject site is identified by the San Francisco County Assessor's Office as Block 6745, Lots 25a, 26, 27, 28, 29 and 63. The specific condominium will be assigned an individual assessor's parcel when construction is complete and the property is legally subdivided. This appraisal addresses the fee interest in the subject property library condominium assuming construction is complete and the property represents a legal condominium unit. The City of San Francisco has negotiated to purchase the subject property for a price of $3.374 million.

The purpose of this appraisal is to estimate the market value of the condominium fee interest in the subject property, in accordance with the instructions provided by the client as cited within the attached report. It is our understanding that the intended use/user of this appraisal is for the exclusive use by the City and County of San Francisco in connection with the possible acquisition of the property. ***This report should not be used or relied upon by any other parties for any reason.*** This is a complete appraisal presented in a self-contained report.

EXTRAORDINARY LIMITING CONDITIONS

1. The value concluded in this appraisal assumes that the subject property is completed in accordance with plans, specifications and information provided regarding the quality of construction and materials to be used.

2. It is assumed that the subject condominium unit has been legally subdivided and is available for separate sale. It is further assumed that a typical covenants, conditions and restrictions document has been recorded that governs ownership of the various condominium units in the project and provides for typical maintenance, running of the owner's association, and collection of owner's dues.

VALUE CONCLUSION

Based on the research and analysis contained within the attached report and subject to the assumptions and limiting conditions contained therein, it is the opinion of the undersigned that the market value of the condominium fee interest in the proposed subject property, assuming construction is complete and in accordance with existing plans and specifications, as of July 8, 2002, is estimated to be:

THREE MILLION THREE HUNDRED SEVENTY FIVE THOUSAND DOLLARS

($3,375,000)

Further, it is our opinion that the above value could be achieved within a 12-month marketing period. The exposure period is also concluded to be 12-months.

This letter must remain attached to the appraisal report, identified on each page as 02-ASF-179, plus related exhibits, in order for the value opinion set forth to be considered valid.

SPECIFIC APPRAISAL INSTRUCTIONS AND ANALYSIS

The client has provided the following instructions:

1. The Appraiser shall assume that the Property is subdivided into a single condominium parcel for acquisition purposes.

2. The appraiser shall provide the highest and best use valuation for the Property and the project.

3. In the event the highest and best use is not as a commercial or public use condominium, the Appraiser shall make adjustments to the appropriate value of the City's interest as a condominium. For example, the Appraiser shall remove the cost of residential improvements not being provided (kitchen, etc.) and add the cost of Library or commercial improvements (150 lb. Live load) being provided.

As discussed within the highest and best use chapter of the attached report, the proposed project on the entire site, and the proposed subject library condominium unit, are consistent with the highest and best use of the conclusions. Therefore the specific adjustments described in item 3 of the instructions above are not required.

CERTIFICATION

We, the undersigned, hereby certify that, to the best of our knowledge and belief: the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions; we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved; we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; our engagement in this assignment was not contingent upon developing or reporting predetermined results, our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan; our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and is in compliance with FIRREA; we have made a personal inspection of the property that is the subject of this report; no one provided significant real property appraisal assistance to the persons signing this certification. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report Chris Carneghi and Ronald Blum have completed the requirements under

the continuing education program of the Appraisal Institute. In accordance with the Competency Provision in the USPAP, we certify that our education, experience and knowledge are sufficient to appraise the type of property being valued in this report.

We are pleased to have had this opportunity to be of service. Please contact us if there are any questions regarding this appraisal.

Sincerely,

CARNEGHI-BAUTOVICH & PARTNERS, INC.

Chris Carneghi, MAI
Certified General Real Estate Appraiser
State of California No. AG001685

Ronald Blum, MAI
Certified General Real Estate Appraiser
State of California No. AG009958

/ss

Attachment III

Construction of interior improvements

• $70 per square foot, 9200 SF	644,000
• Escalation	39,000
• Contingency @ 10%	68,000
• Permit costs	10,000
Subtotal	761,000

Design and Oversight

• Seller/Developer Construction Oversight	235,000
• Design and engineering of interior tenant improvements	215,000
Subtotal:	$ 450,000
Total	**$1,211,000**

Memorandum

To: Leanne Nhan
Office of the Budget Analyst

From: Susan Hildreth, City Librarian

Re: Glen Park Marketplace Environmental Review

Date: July 28, 2003

The City is planning to purchase for a branch library a portion of the mixed-use project known as the Glen Park Marketplace. The branch library is planned for the 2^{nd} floor of the project, with a lobby for the library on the 1^{st} floor. There will be a grocery store on the 1st floor, with the library located above the grocery store. There will be three stories of housing (15 units) in the rear, with a portion of the 1^{st} floor allocated to private parking for the residential units.

This project has had much environmental review. The Planning Department prepared a mitigated Negative Declaration on the project, which was approved by the Planning Commission on December 5, 2002. There were appeals of the Planning Commission action to both the Board of Supervisors and the Board of Permit Appeals. The action of the Planning Commission on this project has been upheld in all these appeals.

A civil lawsuit has been filed against the City and the Planning Commission on this project. This lawsuit does not impact the ability of the City to act on the proposed purchase and sale agreement. The lawsuit is required to have a mandatory settlement conference, but it is likely that the matter will go to trial. The disposition of this lawsuit could take 4 -6 months. If the City prevails, the decision could be appealed; and, if the City does not prevail, the City could also appeal the decision. The disposition of these appeals could take another 6 months, so the project could be delayed up to one year.

If you have further questions about legal matters, I would suggest that you contact Audrey Simpson, the Deputy City Attorney who is assigned to this case, at 554-4621.

Item 4 - File 03-1181

Department:	Department of Administrative Services, Division of Real Estate (DRE) Department of Public Works (DPW)
Item:	Resolution concurring with and supporting the Director of Property's finding and declaration of an emergency; urging the Real Estate Division and the Department of Public Works to take the necessary measures in the most expeditious manner to protect the safety, health, welfare, and property of the citizens and employees of the City and County of San Francisco by repairing the failing roof at 30 Van Ness Avenue, at an estimated cost of $1,099,406.
Amount:	$1,099,406
Source of Funds:	Tax Exempt Series 2001A Certificates of Participation (see Comment No. 1).

Description:

On February 5, 2003, the DPW's Bureau of Engineering and the Real Estate Division notified the DPW's Bureau of Architecture that immediate roof repairs were required at the five-story City-owned office building located at 30 Van Ness, at the intersection of Market Street and Van Ness Avenue. The subject property, consisting of 38,123 square feet of land and 180,939 square feet of building space, was purchased by the City on October 4, 2001 for $32,400,000, and is currently occupied by the Department of Public Works, the Ethics Commission, the Department of Human Resources, the Employees' Retirement System, the Police Department, the Department of Human Services, the Department of Public Health and six private firms. Attachment I provided by Mr. Dan Kennedy of the Real Estate Division lists a total of 19 existing leases, the number of square feet leased, and the rent per square foot per month for those leases occupying the entire 180,939 available square feet at 30 Van Ness. Mr. Kennedy reports that as of the writing of this report, there is no vacant space available at 30 Van Ness.

According to Mr. Russ Abel of the Department of Public Works, water leakage and water drainage problems on the roof was allowing water to infiltrate into the DPW office spaces on the fourth and fifth floors, and into

portions of the center core emergency stairwell causing significant damage to the building, office space and the office furnishings. On June 30, 2003, the DPW and DRE jointly recommended that the Director of Property declare an emergency in order to commence immediate repairs to the roof to avoid additional damage to the building and office furnishings. On July 7, 2003, the Director of Property declared an emergency, requiring immediate roof repairs of the building at 30 Van Ness prior to the beginning of the 2003-2004 "rainy season", which generally starts at the beginning of November according to Mr. Abel. Mr. Abel reports that such repairs would include the (a) installation of roof drains; (b) installation of window washing hangers; (c) removal and disposal of old nonfunctioning heating, ventilating and air conditioning equipment; (d) correction of the slope of the roof surface; and, (e) installation of a new roof membrane.

According to Mr. Abel, all of the work , which is to be done by an outside contractor, is anticipated to begin on August 25, 2003 and is anticipated to be completed by October 31, 2003 (see Comment No. 4). In accordance with Chapter 6, Article IV, Section 6.60 of the San Francisco Administrative Code, the DPW is required to obtain Board of Supervisors approval for all emergency work that exceeds $250,000. The proposed resolution would concur with and support the Director of Property's finding and declaration of an emergency.

Budget:

A summary budget for the roof repair costs of $1,099,406 is as follows:

Description	Cost
Demolition and Hauling	$87,000
Roofing	465,000
Roof Drains	70,000
Parapet & Penthouse Wall	35,000
Winding Washing Tie Downs	60,000
Mechanical	70,000
Electrical Work	60,000
10% Contingency	84,700
Subtotal - Construction Costs	**$931,700**
Design Services	74,536
Construction Administration	27,951
Construction Management	65,219
Subtotal – Other Costs	**167,706**
Total	**$1,099,406**

Attachment II provided by Mr. Abel is additional explanatory information regarding this proposed budget.

Comments:

1. According to Mr. Kennedy, on May 7, 2001, the Board of Supervisors authorized the sale of $37,170,000 in Certificates of Participation (COP) consisting of $35,320,000 in Tax Exempt Series 2001A Certificates of Participation and $1,850,000 in Taxable Series 2001B Certificates of Participation (File #01-0669) to finance the purchase of the building and land at 30 Van Ness Avenue. Mr. Kennedy advises that sufficient funds remain from the Tax Exempt Series 2001A COP proceeds to fund the estimated repair costs of $1,099,406 for the roof repair work needed at the City-owned 30 Van Ness building. According to Mr. Kennedy, the current COP balance remaining is $3,667,257.

2. According to Mr. Abel, in January of 2001, the DPW conducted a building assessment at 30 Van Ness, which identified standing water and leaks from the roof of the 30 Van Ness building. Attachment III is a memorandum dated July 29, 2003 provided by Mr. Able, which contains additional information pertaining to the chronology of the 30 Van Ness roof repair project. This memorandum notes that the DPW and DRE became aware of the roof leakage

and drainage problems in January of 2001 after an assessment of the 30 Van Ness facility was conducted.

3. Mr. Kennedy states that the DPW originally budgeted approximately $470,000 for the roof repairs. Attachment III contains a general explanation as to why the estimated roof repair costs increased from $470,000 to $1,099,406.

4. Mr. Abel advises that the DPW will conduct an expedited bid procedure to select a contractor for the emergency repair work, as provided for in Section 6.60 of the Administrative Code, which does not require the Department of Public Works to utilize the City's formal competitive bidding procedures. The City's formal competitive bidding procedures require advertising Invitations for Bids in the City's official newspaper. Attachment III contains a description of the proposed expedited bid procedure, and the names of the three contractors which the DPW will contact to submit bids. Mr. Abel states that the normal competitive bid procedures, requiring formal newspaper advertising, would take until approximately the middle of December 2003 to complete. Mr. Abel estimates that the new roof would not be completed until approximately May of 2004, if the City's regular competitive bidding procedures were utilized.

5. According to Mr. Abel, the DPW has expended $10,800 to study the alternatives to the existing roofing structural system and to select a preferred roofing option. Mr. Abel reports that the entire $10,800 in costs will be absorbed in the DPW's FY 2003-2004 budget.

6. Section 6.60 of the Administrative Code states that:

> An "actual emergency" means a sudden, unforeseeable and unexpected occurrence involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of or damage to, life, health, property or essential public services. An "actual emergency" shall also mean the discovery of any condition involving a clear and imminent danger to public health or safety, demanding immediate action, which discovery was

sudden and unforeseen and which would not have been made in the regular course of business.

7. The Budget Analyst does not question the necessity of this roof repair project at the 30 Van Ness facility. However, even with the explanation that the City wants this subject roof repair work to be completed prior to the beginning of the 2003-2004 rainy season, the Budget Analyst questions why the roof repair work for the building at 30 Van Ness has to be declared an emergency, thereby avoiding the City's formal competitive bidding procedures, in view of the fact that the Department of Public Works and the Real Estate Division became aware of the roof problem at 30 Van Ness in January of 2001. Mr. Abel reports to the Budget Analyst that, "While the DPW agrees with the Budget Analyst that this is not the type of emergency envisioned by the City's Administrative Code and Charter, and regrets that so much time has passed since the DPW was first made aware of the need for roof repairs at 30 Van Ness, at this time an emergency declaration is the only mechanism available to the DPW to achieve its stated goals."

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

30 VAN NESS OCCUPANCY RENTAL INCOME

Attachment I

Department	Floor(s)	Sq.Ft.	Rate Sq.Ft.	2003-04 Rent
DPW-BSM	4th & 5th	3,106	$ 1.84	$ 5,715
DPW-GEN.	4th & 5th	8,039	1.84	14,792
DPW-BOA	4th & 5th	30,777	1.84	56,630
DPW-BOE	4th & 5th	42,108	1.84	77,479
DPW-BOA (formerly Sheriff's)	3rd	1,347	1.84	2,478
Ethics Commission	3rd	2,998	1.84	5,516
Human Res. (Work. Comp.)	3rd	11,563	1.84	21,276
Retirement	3rd	19,814	1.84	36,458
Police	2nd	1,418	1.84	2,609
Human Services (GAIN Prog.)	2nd, Grd. (50 Van Ness	8,524	1.84	15,684
Public Health	2nd, Grd. (90 Van Ness)	34,467	1.84	63,419
DPW (formrly Merriman space)		429	1.84	789
Totals, City Tenants		*164,590*		*$302,846*
Non-City Tenants				
Koga, Irene & Ng, Daniel	34 Van Ness	1,100	2.94	3,231
Boston Deli	28 Van Ness	761	1.97	1,500
Van Ness Keno Ice Cream	24 Van Ness	558	3.14	1,752
Rite Aid	1492 Market	3,451	2.07	7,152
Rite Aid	10 Van Ness	9,321	2.08	19,419
Merriman, Dwight	2nd Floor			
Herbst Foundation	3rd Floor	1,158	3.00	3,478
Parking (Various)				1,800
Totals, Non-City Tenants		*16,349*		*$38,332*
GRAND TOTALS		*180,939*		*$341,178*

30 Van Ness Avenue - Re-Roofing
Project Cost Projection

1. Demoliton and Hauling	$87,000.00	Removal and disposal of ltwt. conc topping slab
2. Roofing (inc. insulation, flashing, pigeon prot.)	$465,000.00	Provide (N) roof system.
3. Roof drains (new plus retrofit plus overflows)	$70,000.00	Provide (N) roof drains to supplement existing and overflow drains that are currently missing
4. Parapet & penthouse wall w'proofing/flashing	$35,000.00	Provide waterproofing treatment (paint or roofing membrane)of all vertical surfaces on roof
5. Window Washing Tie-downs	$60,000.00	Provide approx. 25 stanchions for window-washers
6. Mechanical (remove, (N) curbs, replace)	$70,000.00	Provide (N) curbs, or platforms, for (E) mech equip.
7. Electrical work(cabinet, move conduit to plenum)	$60,000.00	Replace (E) leaking & poorly flashed electrical cabinet; (E) electrical conduit rusted, creates excessive roof penetrations, tripping hazards.
8. Subtotal	$847,000.00	
9. 10% Contingency	$84,700.00	
10. Total Construction Cost (Subtotal)	$931,700.00	
11. Design Services (BOA/BOE)	$74,536.00	Selection of roofing; review/accept contractors' details.
12. Construction Administration (BOA/BOE)	$27,951.00	Review submittals, substitution requests, periodically observe construction.
13. BCM Construction Management	$65,219.00	Onsite inspection, materials control, job meetings, payments, change orders, closeout...
14. Subtotal	$167,706.00	
15. Total	$1,099,406.00	

City and County of San Francisco

Willie Lewis Brown, Jr., Mayor
Edwin M. Lee, Director

(415) 557-4700
FAX (415) 557-4701
http://www.sfdpw.com

Department of Public Works
Bureau of Architecture
30 Van Ness Avenue, Suite 4100
San Francisco, CA 94102-6028

Mark Dorian, Bureau Manager

MEMORANDUM

TO: Leanne Nhan, Budget Analyst's Office

DATE: July 29, 2003

FROM: Russ Abel, Bureau of Architecture, DPW

SUBJECT: **Roof Project at 30 Van Ness Avenue**

Per your request, I am resending this memo with additional information to document the chronology of the 30 Van Ness roof project, and to explain why the Emergency Declaration is pending, the increase in the project costs, and the anticipated contracting process.

In January 2001, DPW provided a Facility Condition Monitoring (FCM) Report on the 30 Van Ness facility to the Department of Real Estate (DRE) as part of the due diligence process prior to the purchase of the building October 2001. Report comments included statements about the roof condition, including: "...ponding and roof leaks...observed" and "...HVAC units sitting too close to the roof surface..." and stated an estimate for a "roof replacement" of $470,000. The FCM report identified other problems with the 30 Van Ness building that won't be immediately addressed due to insufficient funds.

During 2002, DRE tried to accomplish the roof repairs, but were thwarted by the complexity of the problem, the variety of suggested solutions and multiple changes in management. In the winter of 2002/03, the extent and severity of the leakage problem increased dramatically, and in February 2003, DRE and DPW's Bureau of Engineering (BOE), the organization primarily affected by the roof problems, asked the Bureau of Architecture (BOA) to assist with the roof project. BOA initially assessed the total project as exceeding the funds available, and requiring a schedule that would have work being performed in the rainy season. Through an emergency bid process, we believe we can save enough money and time to accomplish the project within the budgeted funds and schedule prior to this year's rainy season.

A chronology of events that have led to the proposed emergency declaration is listed below:

<u>**Sequence of Events**</u>

1/00/01: FCM Report issued.
10/00/01: City purchases 30 Van Ness building.
Spring-Fall/02: DRE receives advice from contractors regarding roof and mechanical equipment replacement alternatives.
Winter 02/03: Leakage problems become more severe.
2/05/03: DRE and BOE request BOA's services, after BOE reviewed report from Real Estate.

2/26/03: BOA visits the roof in preparation of its Proposal for Services.
3/05/03: BOA sends a Preliminary Proposal to DRE, including an estimate of $1.35 million. DRE requested a number of clarifications.
3/11/03: Meeting held with DRE and BOA to brainstorm a solution that would result in a new roof prior to this year's rainy season.
4/10/03: BOA submitted a Revised Proposal to DRE with an estimate of $1.25 million. The project required a schedule of seven months, completing in mid-December, to complete a normal bid/award process with this full construction documents and specifications – well into the rainy season. In addition, the $1.25 million estimate exceeded the DRE's available funds.
6/30/03: DPW and DRE finalize a reduced scope of work that can be completed within available funds; however, a normal bid/award process would not allow construction of a new roof until the spring of '04.

Based upon the observed rate of deterioration between the winters of 2001/02 and 2002/03, DRE and DPW jointly concluded that declaring an emergency is the only way to avoid additional damage to the building and furnishings, including the increased probability of mold growth in wet building materials, and disruption of City business that would occur if the roof is not repaired before the 2003/04 winter rainy season.

Increase in Project Cost

The increase in cost from the initial estimate is due, in general, to the difference between the FCM approach, which consists of a very quick walk-through assessment of a building and its systems, with some rule-of-thumb estimating methods applied, and that of a focused project with detailed study. The achievable range in FCM-type conceptual estimates is +/- 30%, but estimates do occasionally fall outside this range.

Additionally, there was also substantial growth in the scope of the work being considered. Specific items included in the budget now that were not included in the FCM report budget are: (1) Removal and replacement of the lightweight concrete deck under the roofing membrane (allowing an assessment of the condition of the steel decking), (2) installation of new roof drains and overflow drains, (3) installation of window washing tie-downs, (4) replacement of some substandard flashings, and (5) electrical work (replacement of (E) electrical enclosure and relocation of exposed conduits).

Anticipated Contracting Process

No bids have been solicited at this time. The bidding process will consist of inviting Proposals for specific work from at least 3 contractors with a long-term presence and a track record of successful completion on roofing projects for City facilities. To date, the City, through the Department of Real Estate, has enlisted the pro-bono efforts of 3 contractors, recommended by the Department of Public Works based on the criteria listed above, to assess the roof and provide advice on various re-roofing alternatives. Now that the selection has been made of the systems to be priced, these same contractors, Pioneer Roofing (Herbert Li), Lawson Roofing (Richard J. Lawson) and Acker & Guerrero (George L. Acker), will be invited to submit Proposals to

perform the work, as well as Western Roofing, another local firm with a long history of satisfactory City projects. We anticipate allowing the 4 firms 10 days in which to prepare their Proposals, and DPW will select the lowest, responsive, responsible Proposal to perform the work.

Summary

Unfortunately, the only legal mechanism for expediting construction contract awards is through the City's emergency declaration process. Thus, at this point, in order to replace the roof at 30 Van Ness before the next rainy season begins, we need the Board of Supervisors and Mayor to declare an emergency. While we understand that this isn't the type of emergency envisioned by the City's Administrative Code and Charter, we don't know of another means to replace the roof before the next rainy season at this juncture.

We should have begun the process to replace the roof after the City purchased the 30 Van Ness building in October 2001 rather than wait until it became a serious problem. The Department of Administrative Services and DRE both experienced turnover in directors during that time period that resulted in continuity issues with the project. However, because replacing a roof is a relatively straightforward project, the bids we receive from the firms identified above should be approximately the same bids we would have received through the City's regular competitive bidding process. Thus, we are confident that the City will not incur additional costs to replace the roof at 30 Van Ness through the expedited process.

Thanks for the opportunity to clarify the project issues and constraints. Please call me at 557-4786 if I may be of further assistance.

Russ Abel

document2

Item 6 – File 03-1278

Department:	Department of Parking and Traffic (DPT)
Item:	Resolution authorizing the Department of Parking and Traffic to apply for retroactively, accept and expend a grant in the amount of up to $560,000 from the Federal Highway Administration with a required local match of $141,800 for pedestrian safety improvements, education, and evaluation for Phase 2 of the PedSafe Pedestrian Safety Project at a total project cost of $700,399.
Grant Amount:	Up to $560,000 (See Comment No. 1)
Source of Funds:	Federal Highway Administration (FHWA)
Grant Period:	October of 2003 to June of 2006 (Approximately two years and eight months, see Comment No. 1)
Projects:	PedSafe Pedestrian Safety Project – Phase 2
Required Match:	$141,800 (See Comment No. 4)
Indirect Costs:	None (See Comment No. 5).
Description:	The proposed resolution would authorize the Department of Parking and Traffic (DPT) to retroactively apply for, accept and expend a grant in the amount of up to $560,000 from the Federal Highway Administration (FHWA). The DPT applied for the grant funds on July 29, 2003, prior to obtaining Board of Supervisors approval.

According to Mr. Frank Markowitz of the DPT, the proposed grant funds of up to $560,000 would be used to fund Phase 2 of the PedSafe Pedestrian Safety Project (Project). The PedSafe Project is designed to decrease pedestrian injuries and mortality rates by planning and implementing Intelligent Transportation System (ITS) countermeasures in the City. Countermeasures are response measures such as curb extensions, roadway lighting, and improvements in visibility that would decrease pedestrian injuries and mortality rates. The PedSafe Project has two phases. Phase 1 required the DPT to conduct an Engineering Study to identify the

scope of the pedestrian problem and determine appropriate countermeasures. Phase 1, which had a total cost of $215,023, was funded by (a) $155,735 in FHWA grant funds, (b) $42,186 in DPT funds and (c) $17,102 in UC Berkeley's Traffic Safety Center in-kind contribution.

The subject proposed Phase 2 project would implement the countermeasures identified by the Engineering Study in Phase 1. Attachment I, a memorandum from Ms. Bridget Smith of the DPT, summarizes the results of the Phase 1 Engineering Study. The countermeasures identified by the Engineering Study include:

1. American With Disabilities Act (ADA) curb ramps and detectable warning strips;
2. Advance limit lines and red curb program;
3. Distribution of retroreflective materials (patches, collars, etc);
4. Experimental devices such as impactable YIELD TO PEDESTRIAN signs;
5. Median refuge island improvements;
6. Modified signal timing;
7. Pavement stencils;
8. Pedestrian head start;
9. Pedestrian scramble;
10. Experimental devices such as animated eyes signals;
11. Modern flashing beacons;
12. Pedestrian countdown signals;
13. Radar speed display signs; and
14. Roadway lighting improvements and Smart Lighting (brighter light when pedestrian is present).

Budget: Attachment II, provided by the DPT, is a budget in the amount of $700,399, including $558,599 in proposed grant funds and $141,800 in local matching funds. As noted in Attachment II, Phase 2 would be carried out by DPT and Department of Public Works (DPW) staff, except for the Evaluation/Report Writing portion of the Project which would be conducted by UC Berkeley's Traffic Safety Center under a $50,000 contract with the DPT, as detailed in Attachment III.

A summary budget for the total $700,399 for Phase 2 is shown as follows:

DPT Engineering	$205,157
DPT Installation	120,817
DPW Installation	70,955
Materials and Physical Improvements	191,320
Other Direct Costs	12,150
Construction Contingency	40,000
Contract	50,000
In-Kind Labor (UC Berkeley)	10,000
	$700,399

Comments:

1. Ms. Smith advises that prior to the anticipated grant award in September of 2003, the DPT will negotiate with the FHWA to determine the precise amount of the grant. Ms. Smith reports that the presently estimated amount of the grant is $558,599 as shown in Attachment II. Ms. Smith further reports that the DPT will know the precise amount of the grant once negotiations with the FHWA are completed and the grant is awarded. Ms. Smith reports that the DPT estimates that the grant award may be up to $560,000. Ms. Smith notes that the proposed resolution states that the grant amount is $560,000. Ms. Smith further notes that the resolution should be amended to state that the grant amount will be up to $560,000.

2. Mr. Markowitz reports that the proposed grant has not yet been awarded and therefore the DPT has not accepted or expended any of the proposed grant funds.

3. As noted above, the subject grant would fund $50,000 in contractual services to be performed by UC Berkeley's Traffic Safety Center for Evaluation/Report Writing. Mr. Markowitz states that the UC Berkeley Traffic Safety Center would 1) prepare reports and create written documents to meet FHWA reporting requirements, and 2) manage pedestrian safety data collection and data analysis. Mr. Markowitz states that the UC Berkeley Traffic Safety Center was originally selected on a sole-source basis for Phase 1 of the Project because of their expertise in pedestrian and traffic safety, and because the FHWA grant award was based on a proposal that

specifically included the DPT and the UC Berkeley Traffic Safety Center. Attachment IV, provided by the DPT, is a memorandum describing UC Berkeley's Traffic Safety Center's selection as the consultant.

4. According to Ms. Smith, \$131,800 in required local matching funds would be provided by the DPT's Livable Streets monies, which are revenues received from fines from traffic citations for running a red light at intersections and UC Berkeley's Traffic Safety Center would provide an additional \$10,000 in local matching funds, for a total of \$141,800 in local matching funds. Mr. Markowitz reports that \$131,800 in funds were included in the DPT's 2003-2004 budget. Ms. Smith notes that the proposed resolution states that the required local match is \$140,000, instead of the presently estimated amount of \$141,800, as shown in Attachment II. Mr. Markowitz advises that prior to the anticipated grant award in September of 2003, the DPT will negotiate with the FHWA to determine the precise amount of the required local match. The proposed resolution states that the amount of the required match is \$140,000 since that amount is the minimum required match in order to receive the FHWA funds, according to Mr. Markowitz. According to Mr. Markowitz the DPT expects the final required local match to be between \$140,000 and \$142,000. Mr. Markowitz reports that the DPT's 2003-2004 budget includes sufficient Livable Streets monies to meet the local match requirement even if the required local match required is up to \$142,000. The proposed resolution should, therefore, be amended to state that the required local match is "up to \$142,000."

5. Attachment V is the Grant Information Form, provided by the DPT, which includes the Disability Access Checklist. Mr. Markowitz notes that the indirect costs of \$54,877 listed in the Grant Information Form are for the administrative overhead costs of DPT. Ms. Smith, however, notes that the administrative overhead costs of \$54,877 are included in the City Labor and Direct Costs shown in Attachment II.

Recommendations: 1. In accordance with Comment No. 1, amend the proposed resolution by deleting "\$560,000" for the grant

amount and substituting "up to $560,000" on lines 4 and 16 on page 1 and on line 4 of page 2.

2. In accordance with Comment No. 3, amend the proposed resolution by deleting "$140,000" for the amount of the required match and substituting "up to $142,000" on line 5 of page 1 and on line 5 of page 2.

3. Approve the proposed resolution, as amended.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

Traffic Engineering Division
City and County of San Francisco
WILLIE LEWIS BROWN, JR., MAYOR
GERALD R. NORMAN, EXECUTIVE DIRECTOR

MEMORANDUM

TO: Harvey Rose
Budget Analyst, Board of Supervisors

THROUGH Bond Yee
Deputy Director and City Traffic Engineer
Dept of Parking and Traffic

FROM: Bridget Smith
Livable Streets Program Manager
Dept of Parking and Traffic

RE: FHWA Pedestrian Safety Engineering Implementation – Phase 2 (Item No5, Finance Committee Meeting of Aug 13, File # 03-1278) – Summary of Results and Countermeasures from Phase 1

DATE: August 5, 2003

This memo responds to a request from Salvador Sanchez of your office for a Summary of Results and Countermeasures from Phase 1, as is discussed in detail in the FHWA Pedestrian Safety and Engineering Implementation – Phase 2

Problem Identification: A Comprehensive Picture of Pedestrian Injury Collisions in San Francisco

San Francisco is a relatively dense city with 800,000 residents in 47 square miles (or 15,500 residents per square mile). Based on police records for a five-year period (July 1996 through June 2001), a lower-bound estimate of 4,791 collisions reported in San Francisco involved pedestrians, which is an average of about 2.6 collisions per day.

Using GIS software, SFDPH mapped the 12,557 pedestrian-injury collisions, by severity, that occurred in the city from January 1990 to May 2001. DPT staff identified neighborhoods and intersections that had a high "injury density" (i.e., a large concentration of pedestrian-injury collisions in a relatively small geographic area). Based on this analysis, three area zones and four linear zones (street segments) were selected.

Mr. Harvey Rose
FHWA Pedestrian Safety Study/Phase 2
August 5, 2003
Page 2

These zones are:

- South of Market West (SOMA);
- North Mission;
- Chinatown/North Beach;
- Outer Mission Street;
- Geary Blvd (Cathedral Hill/Japantown);
- Geary Blvd. (Richmond); and the
- Upper Market Street areas of San Francisco.

The study zones all had 5-9 times as many pedestrian injuries per mile or square mile as the citywide average. Taken together, these seven study zones accounted for 17.6 percent of the pedestrian injury burden in San Francisco and accounted for 48 of the top 125 pedestrian injury locations.

Countermeasure Selection Plan

Phase 1 of the FHWA PedSafe project produced a comprehensive list of potential countermeasures to pedestrian-injury collisions, and the decision to employ a particular countermeasure at a specific location involved a complicated set of factors including cost, the need for public or policy-maker review, presumed effectiveness, possible need for experimental authorization, and engineering constraints.

Many candidate countermeasures are already being employed by San Francisco, and their use is expected to increase. The ***Level 1 basic funding plan*** concentrates on engineering improvements and outreach efforts that could be implemented within the time frame and budget specified in the FHWA program. This basic level assumes $700,000 in funding (or an average of $100,000 per study zone) and an implementation timetable from Fall 2003 to Winter 2005. This plan is expected to yield detectable changes in pedestrian-injury collisions or surrogate measures. In addition to an outreach and education program, the physical countermeasures for the Level 1 basic funding plan are:

- ADA curb ramps and detectable warning strips
- Advance limit lines and red curb program
- Distribution of retroreflective materials (patches, collars, etc.)
- Experimental devices such as impactable YIELD TO PEDESTRIAN signs
- Median refuge island improvements
- Pavement Stencils
- Pedestrian scramble signal phasing

- Modified signal timing
- Pedestrian head start signal timing
- Experimental devices such as "animated eyes" signals
- Automated detection of pedestrians
- In-pavement crosswalk lights
- Modern flashing beacons
- Pedestrian countdown signals
- Radar speed display signs
- Roadway lighting improvements and Smart Lighting (brighter lighting when pedestrian is present)

While the evaluation will be primarily the responsibility of the national evaluation specialist, San Francisco proposes to provide data collection and its own coordinated evaluation in collaboration the UC Berkeley Traffic Safety Center.

If you have any questions, please feel free to call Bridget Smith,DPT Livable Streets Program Manager, at 554-2346. Thank you for your consideration.

BBS:cmh;nc

FHWA PedSafe Project Phase 2
Project Budget

Funding Sources	
Federal Funding Agreement	$ 558,599
Local Match- DPT	$ 131,800
Local Match- UCB	$ 10,000
	$ 700,399

CITY LABOR

DPT Engineering Costs

	Classification	Hourly Rate	Hours	Extension	Adjusted for Future Salary Increases (
Engineer	5241	$ 92.24	120	$ 11,069	$ 11,678
Planner IV	5290	$ 88.28	1050	$ 92,694	$ 97,792
Management Asst.	1842	$ 56.92	750	$ 42,690	$ 45,038
Planner III	5289	$ 74.45	500	$ 37,225	$ 39,272
Secretary II	1446	$ 48.68	100	$ 4,868	$ 5,136
Student Intern II	5381	$ 39.46	150	$ 5,919	$ 6,245
DPT Engineering Costs-- Subtotal					$ 205,157 *

*Note: Figure adjusted - rounding error

DPT Installation Costs

Advance Limit Lines & Red Curb Program	$2,988
Distribution of Retroreflective Materials	$6,402
Experimental Impactable "Yield to Pedestrian" Signs	$1,440
Pavement Stencils	$6,189
Pedestrian Scramble	$8,003
Modify Signal Timing	$5,335
Pedestiran Head Start	$3,201
Animated Eyes with Countdowns	$4,353
Automated Detection of Pedestrians to adjust signal ti	$8,536
In-pavement crosswalk lights	$8,536
Modern Flashing Beacon	$22,407
New Ped Signal with Countdowns	$16,005
Pedestrian Countdown Signal (conversion)	$12,484
Portable Speed Trailer	$10,670
Radar Speed Display Sign	$4,268
DPT Installation Costs-- Subtotal	$120,817

DPW Installation Costs

ADA Curb Ramps & Detectable Warnings	$18,171
Median Refuge Island Improvements	$45,429
Roadway Lighting Improvements & Smart Lighting	$7,355
DPW Installation Costs-- Subtotal	$70,955

City Labor-Total **$ 396,929**

DIRECT COSTS

Materials and Physical Improvements

ADA Curb Ramps & Detectable Warnings	$2,400
Advance Limit Lines & Red Curb Program	$1,400
Distribution of Retroreflective Materials	$6,000
Experimental Impactable "Yield to Pedestrian" Signs	$2,250
Median Refuge Island Improvements	$6,000
Pavement Stencils	$10,150

Pedestrian Scramble	$5,000	
Animated Eyes with Countdowns	$10,320	
Automated Detection of Pedestrians to adjust signal ti	$20,000	
In-pavement crosswalk lights	$4,000	
Modern Flashing Beacon	$12,000	
New Ped Signal with Countdowns	$30,000	
Pedestrian Countdown Signal (conversion)	$18,400	
Portable Speed Trailer	$15,000	
Radar Speed Display Sign	$28,000	
Roadway Lighting Improvements & Smart Lighting	$20,400	
Materials and Physical Improvements--Subtotal	$191,320	
Other Direct Costs		
travel, interstate	$7,000	
travel, local	$1,000	
computer supplies	$550	
office supplies	$1,000	
photocopying	$1,200	
graphic design	$1,000	
fax	$300	
postage	$100	
Other Direct Costs--Subtotal	$12,150	
Direct Costs-Total		**$ 203,470**
CONSTRUCTION CONTINGENCY		**$40,000**
CONTRACTS		
UCB Traffic Safety Center	$50,000	
Contracts- Total		**$50,000**
IN KIND LABOR		
UCB Traffic Safety Center - Local Match	$10,000	
In Kind Labor- Total		**$10,000**
Grand Total		**$ 700,399**

UC BERKLEY WORKING DRAFT OF PHASE I BUDGET

	Hourly rate	Monthly Rate	Number of months	Months	%	# OF HOURS FOR TASK 1	Total $ for Task 1	# OF HOURS FOR TASK 2	Total $ for Task 2	# OF HOURS FOR TASK 3	Total $ for Task 3	# OF HOURS FOR TASK 4	Total $ for Task 4	Total $ for Phase I	TOTAL # OF HOURS PHASE I	PHASE I # TOTAL 9/1/01 - 4/30/2002
Personnel																
D Ragland, P I	$51.44	$8,950	1	ac yr	10%	0	$0		$0		$0		$0			
	$52.47	$9,129	7	ac yr	10%	0 00	$0	40 0	$2,099	40 0	$2,099	40 0	$2,099	$6,297	120.00	$6,297
M Wachs, CO-P I	$94.95	$16,522	1	ac yr	5%	0	no chg		$0		no chg		no chg			
	$96.85	$16,852	7	ac yr	5%	0 00	no chg	0 0	$0	30 ..	no chg	30 6	no chg	no chg.	61.20	no chg
B Shaver (Staff Title)	$15.40	$2,680	1	cal yr	20%	0	$0		$0		$0		$0			
	$15.71	$2,734	7	cal yr	20%	0 00	$0	140 0	$2,199	79 8	$1,254	46 0	$723	$4,176	265.80	$4,176
K MacLeod (Staff Title)	$20.11	$3,500	1	cal yr	20%	0	$0		$0		$0		$0			
	$20.52	$3,570	7	cal yr	20%	0 00	$0	123 0	$2,524	79 8	$1,637	46 0	$944	$5,105	248.80	$5,105
Student TBD	$14.00	$2,436	1	ac yr.	44 0%	0	$0		$0		$0		$0			
	$14.00	$2,436	7	ac yr	44 0%	0 00	$0	1300 0	$18,200	0 0	$0	0 0	$0	$18,200	1300.00	$18,200
TOTAL PERSONNEL							$0		$25,022		$4,990		$3,766	$33,778	1,995 80	33,778
Employee Benefits			Rates Per Period													
Faculty Summer	17%		12 7%				$0		$357		$357		$357			$1,071
Academic Titles	17%		12 7%				No charge		No charge		No charge		No charge			No charge
Student Academic Yr Appointment	1.3%		1.3%				$0		$237		$0		$0			$237
Student Summer appointment	3 0%		3 0%				$0		$0		$0		$0			$0
GSR Full Fee Remission	$2,909 45		$2,909 45				$0		$0		$0		$0			$0
Staff	22%		22%				$0		$1,039		$636		$367			$2,042
TOTAL EMPLOYEE BENEFITS							$0		$1,633		$993		$724	$3,350		$2,279
TOTAL PERSONNEL & BENEFITS														$37,128		$3,350
Travel																
2 Round Trips to Washington DC for 1 person @ $1,000 per person per trip																
TOTAL TRAVEL COSTS											$1,000		$1,000	$2,000		$2,000
Direct Costs (supplies)																
2 video cameras and video equipment																
TOTAL DIRECT COSTS							$0		$554		$0		$0	$554		$2,420
TOTAL DIRECT COSTS							$0		$27,209		$6,983		$5,490	$39,682		$39,682
Indirect Costs 26% of Modified Total Direct Costs			MTDC $72,074			MTDC $0	$0	MTDC $27,209	$7,074	MTDC $6,983	$1,816	MTDC $5,490	$1,428	$10,318		$10,318
							$0		$34,283		$8,799		$6,918	$50,000		$50,000

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

Traffic Engineering Division
City and County of San Francisco
WILLIE LEWIS BROWN, JR., MAYOR
GERALD R. NORMAN, EXECUTIVE DIRECTOR

MEMORANDUM

TO: Harvey Rose
Budget Analyst, Board of Supervisors

THROUGH: Bond Yee
Deputy Director and City Traffic Engineer
Dept. of Parking and Traffic

FROM: Bridget Smith
Livable Streets Program Manager
Dept. of Parking and Traffic

RE: FHWA Pedestrian Safety Engineering Implementation – Phase 2 (Item No. 5, Finance Committee Meeting of Aug 13, File # 03-1278) – UC Berkeley Sole Source Subcontract Justification

DATE: August 5, 2003

This memo responds to a request from Salvador Sanchez of your office for an explanation of why DPT proposes to continue a subcontract with UC Berkeley's Traffic Safety Center (UCB-TSC) on a sole source basis to perform data analysis and report writing for the Federal Highway Administration (FHWA)-funded pedestrian safety study. As described further below, UC Berkeley offers unique expertise, and FHWA selected the City and County of San Francisco/UC Berkeley team for the initial phase of this project in national competition.

General Background on Funding Agreement

DPT has requested the Board of Supervisors to authorize us to accept and expend funds from a cooperative agreement with the FHWA. FHWA awarded this funding agreement in a national competition in order to test "real world" application of federally developed software and procedures to improve pedestrian safety. In Phase 2 (with $560,000 in federal funding, and $140,000 in total local match), DPT and UC Berkeley's Traffic Safety Center will implement and evaluate countermeasures and complementary education and outreach efforts. The UCB-TSC subcontract will be for $50,000, and UCB-TSC will provide $10,000 in local match.

UC Berkeley's Unique Expertise

UC Berkeley' Traffic Safety Center was chosen as the Phase 1 partner because of its unique qualifications. After successful completion of Phase 1, it is highly unlikely that the FHWA would consider funding Phase 2 with any other partner. No other Bay Area institution or firm offers the expertise of UC Berkeley in pedestrian and traffic safety. UC Berkeley's Traffic Safety Center is a unique institution that brings together transportation engineering and public health experts particularly interested in pedestrian safety. Familiar with California traffic safety laws, and knowledgeable about the San Francisco environment, UCB-TSC is the ideal partner for Phase 2 implementation of this project.

Principal Investigator Martin Wachs, for example, chaired the Transportation Research Board Executive Committee, one of the most prestigious positions in U.S. transportation research. UC Berkeley is arguably the world's leading research institute on intelligent transportation systems (ITS), a key focus of this study. UCB's Institute for Transportation Studies Technology Transfer program prepared an analysis of pedestrian safety for San Francisco several years ago.

UC Berkeley's Part in Winning Award

FHWA limited the eligible awardees to larger municipalities that own and control the roadway system. Similar to Phase 1, the Phase 2 award would be made to a San Francisco/ UC Berkeley team, based on an elaborate proposal primarily produced by UC Berkeley. And as noted above, UCB-TSC's successful partnership in Phase 1 of this project was vital to securing funding for Phase 2. The campus will again have primary responsibilities for managing data analysis and for writing and editing project reports.

UCB Transportation Study Center's Evaluation and Reporting Capacity

DPT does not have sufficient staff nor the full mix of skills to undertake the same caliber of project evaluation that UCB-TSC will conduct as part of Phase 2 without a specialized data analysis consultant. Further, UCB-TSC will be able to conduct this evaluation, and reporting in a more timely manner than DPT would be able to. UCB-TSC's expertise in reporting will play a major role in the display of outcomes that result form the implementation of Phase 2. This again is a task that DPT does not have similar capacity to conduct without an outside consultant. FHWA is again quite concerned about starting the study soon after award. It would not have been possible to hold a competitive selection after award (a process likely taking 4-8 months) without risking loss of the award. Therefore, a sole-source subcontract is the only practical option.

UC Berkeley Hourly Rates Competitive

The hourly rates charged by UC Berkeley are quite competitive with the only reasonable alternative, transportation consulting firms. UCB senior staff will charge a maximum of $96.85 per hour (salary plus 17% fringe benefits and 26% indirect costs, which is a newly approved "off-campus" indirect rate). We have reviewed proposals from several consulting firms. Their comparable range is $70 to $160, with most senior engineers at least $95 per hour.

Please note the most highly paid UCB researchers are donating substantial time as local match.

If you have any questions, please feel free to call DPT Livable Streets Program Manager Bridget Smith at 554-2346. Thank you for your consideration.

BMY:bbs

File Number: ____________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to retroactively apply for, accept, and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: "PedSafe" Pedestrian Safety Project – Phase 2

2. Department: Department of Parking and Traffic

3. Contact Person: Frank Markowitz Telephone: 415-252-4696

4. Grant Approval Status (check one):

   [ ] Approved by funding agency [X] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $ 560,000

6a. Matching Funds Required: $140,000 (20% of total project cost)
 b. Source(s) of matching funds (if applicable): DPT Livable Streets (red light running fines) and Prop. B sales tax

7a. Grant Source Agency: United States Department of Transportation
 b. Grant Pass-Through Agency (if applicable): None

8. Proposed Grant Project Summary:

   FHWA signed a cooperative agreement with DPT in 2002 to fund an analysis of pedestrian injury patterns and development of an action plan to improve pedestrian safety in focus areas of San Francisco. Phase 1 involved other City/County departments, neighborhood and advocacy groups in developing the pedestrian safety plan. FHWA intends to amend the contract to provide Phase 2 funding to implement the plan, paying for such improvements as special signs, median refuge islands, and pedestrian signal improvements. This is subject to negotiations on the specific terms of the Phase 2 agreement.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Phase 2 Start-Date: October, 2003 End-Date: June 2006

10. Number of new positions created and funded: - 0 -

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services: $50,000

 b. Will contractual services be put out to bid? No

 c. If so, will contract services help to further the goals of the department's MBE/WBE

requirements? No

d. Is this likely to be a one-time or ongoing request for contracting out? One time

13a. Does the budget include indirect costs? [X] Yes [ ] No
For DPT administrative operations/overhead/benefits
b1. If yes, how much? $54,877
b2. How was the amount calculated? Based on the DPT-Traffic Engineering FY 2003/04 Indirect Cost Plan (7/7/03), the total indirect cost rate is 91.08% of employee's base hourly rate, including 18.42% for benefits, 22.43% for paid time off, and 50.23% for DPT overhead (eg, administration, worker safety).

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[] Other (please explain):

14. Any other significant grant requirements or comments:
The grant is awarded to the DPT/UC Berkeley team that is already working on Phase 1. DPT has no authority to open this to competitive bidding. Federal funds must be obligated by the end of September 2003, requiring a signed contract by 9/12/03.

Disability Access Checklist*

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s)
[ ] Rehabilitated Site(s)
[ ] New Site(s)
[ ] Existing Structure(s)
[ ] Rehabilitated Structure(s)
[ ] New Structure(s)
[X] Existing Program(s) or Service(s)
[ ] New Program(s) or Service(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: Hammons
(Name)

Date Reviewed: 7/15/03

Department Approval Gerald R. Norman Executive Director
(Name) (Title)

Gerald R. Norman
(Signature)

[All Committees]
Government Document Section
Main Library

City and County of San Francis
Meeting Minutes
Finance and Audits Committe

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, August 20, 2003 **12:30 PM** **City Hall, Room 263**

Regular Meeting

70.251
2
20/03

Members Present: Aaron Peskin, Jake McGoldrick.

Members Absent: Gerardo Sandoval.

MEETING CONVENED

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PUBLIC LIBRARY

The meeting convened at 12:38 p.m.

CONSENT AGENDA

All matters listed hereunder constitute a Consent Agenda, are considered to be routine and will be acted upon by a single roll call vote of the Committee. There will be no separate discussion of these items unless a member of the Committee or the public so requests, in which event the matter shall be removed from the Consent Agenda and considered as a separate item.

031271 [Grant of Easements in Santa Clara County]

Resolution authorizing the grant of easements to the Santa Clara Valley Transportation Authority over property in the County of Santa Clara under the jurisdiction of the San Francisco Public Utilities Commission; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; adopting findings pursuant to the California Environmental Quality Act; authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution; and ratifying acts and authorizing actions in furtherance of th is resolution. (Real Estate Department)

(Public Benefit Recipient.)

7/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee

RECOMMENDED..

The foregoing items were acted upon by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

SEVERED FROM CONSENT AGENDA

031285 **[Grant of Easements in San Mateo County]**

Resolution authorizing a grant of easements to the State of California over property in the County of San Mateo under the jurisdiction of the San Francisco Public Utilities Commission; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; adopting findings pursuant to the California Environmental Quality Act; ratifying acts and authorizing actions in furtherance of this resolution; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution. (Real Estate Department)

(Public Benefit Recipient.)

7/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Supervisor Peskin requested this item be severed so it could be considered separately.

SEVERED FROM COMMITTEE CONSENT AGENDA.

Heard in Committee. Speaker: Steve Legnitto, Department of Administrative Services.
8/20/03 Amend title on page 1 line 3 after "authorizing" add "(retroactive to April 1, 2003 for Parcel 3)". At page 2 line 19 after "approves" add "(retroactive to April 1, 2003 for Parcel 3)".

AMENDED.

Resolution authorizing (retroactive to April 1, 2003 for Parcel 3) a grant of easements to the State of California over property in the County of San Mateo under the jurisdiction of the San Francisco Public Utilities Commission; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; adopting findings pursuant to the California Environmental Quality Act; ratifying acts and authorizing actions in furtherance of this resolution; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution. (Real Estate Department)

(Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031334 **[Lease of Real Property]**

Resolution authorizing a lease renewal of 1,496 sq. ft. for an Optometrist Office at 34 Van Ness Avenue, a City owned building commonly known as 30 Van Ness. (Real Estate Department)

(Public Benefit Recipient.)

7/29/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Supervisor Peskin requested this item be severed so it could be considered separately.

SEVERED FROM COMMITTEE CONSENT AGENDA.

Heard in Committee. Speaker: Steve Legnitto, Department of Administrative Services.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031339 **[Lease of Real Property]**

Resolution authorizing the renewal of a lease of real property at 755 and 759 South Van Ness Avenue for continued use by the Department of Public Health, Community Behavioral Health Services. (Real Estate Department)

(Public Benefit Recipient.)

8/4/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Supervisor Peskin requested this item be severed so it could be considered separately.

SEVERED FROM COMMITTEE CONSENT AGENDA.

Heard in Committee. Speakers: Steve Legnitto, Department of Administrative Services; Ted Lakey, Deputy City Attorney.

8/20/03 At page 2 line 4 after "$20,317.50" add "per month"; at line 5 after "month)" delete ", a savings of $6,682.50 per month when compared to the current"; at line 6 delete "monthly rent of $27,000.00".

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

REGULAR AGENDA

031332 **[Real Property License Agreement]**

Resolution authorizing a City-wide 800 MHz Radio System license agreement at the VA Medical Center. 4150 Clement Street, San Francisco for the Emergency Communications Department. (Real Estate Department)

(Public Benefit Recipient.)

7/30/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Steve Legnitto, Department of Administrative Services.

8/20/03 Amend title on page 1 line 3 after "authorizing" add ", retroactive to April 1, 2003,".

AMENDED.

Resolution authorizing, retroactive to April 1, 2003, a City-wide 800 MHz Radio System license agreement at the VA Medical Center, 4150 Clement Street, San Francisco for the Emergency Communications Department. (Real Estate Department)

(Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031058 **[Supplemental appropriation for the Day Labor Program 2003-2004]**

Supervisor Ammiano

Resolution requesting a supplemental appropriation in the amount of $75,000 for the 2002-2003 fiscal year and $90,000 for the 2003-2004 fiscal year to support the operation of the San Francisco Day Labor Program.

6/10/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

8/13/03, CONTINUED. Speakers: None.
Continued to 8/20/03.

Heard in Committee. Speakers: Laurel Muniz; Joe Porcoro; Jean Berkowitz; Dindrako Zelaya.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031410 **[Public Utilities Commission's Agreement No. CS-524]**

Supervisor Peskin

Hearing regarding Public Utilities Commission's continuation of Agreement No. CS-524, Program Management Services, with the Water Infrastructure Partners (WIP) with a report from Harlan Kelly of the Public Utilities Commission.

8/12/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harlan Kelly, SF Public Utilities Commission; Male Speaker, Local 21; David Novogrodsky, Local 21.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031253 **[Contracting out Convention Facilities management, operation and maintenance services]**

Resolution concurring with the Controller's certification that Convention Facilities management, operation and maintenance services can be practically performed at Bill Graham Civic Auditorium and the Moscone Center by private contractor for a lower cost than similar work services performed by City and County employees. (Administrative Services Department)

7/23/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Todd Rydstrom, Controller's Office; John Noguchi, Department of Administrative Services; Ted Lakey, Deputy City Attorney.
Continued to 9/17/03.

CONTINUED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031270 **[Contracting out Paratransit Services]**

Resolution concurring with the Controller's determination that paratransit services for the Munucipal Transportation Agency can be practically performed by a private contractor at a lower cost than by City and County employees. (Public Transportation Commission)

(Public Benefit Recipient.)

7/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Todd Rydstrom, Controller's Office; Joe Speaks, Municipal Transportation Authority; Ted Lakey, Deputy City Attorney.
Continued to 9/17/03.

CONTINUED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031274 **[Conservatory of Flowers - Fees]**

Supervisor McGoldrick

Ordinance making environmental findings and amending the San Francisco Park Code by adding Section 12.34 to establish the admission fees for the Conservatory of Flowers.

7/22/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. 8/9/03, 8/16/03 Fee ad publication dates.

8/8/03, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.

8/14/03, RESPONSE RECEIVED. Statutorily exempt from CEQA pursuant to CEQA Guidelines Section 15273(a), Rates, Tolls, Fares and Charges.

Heard in Committee. Speakers: Elizabeth Goldstein, Recreation and Park Department; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031399 **[Stow Lake and Spreckels Lake restoration, sole source contract]**

Mayor

Ordinance authorizing the Recreation and Park Department to negotiate and enter into a sole-source contract with Aquatic Environments, Inc., Alamo, California, to dredge Stow Lake and Spreckels Lake, install aeration and circulation equipment and repair the Lake edge.

8/13/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Elizabeth Goldstein, Recreation and Park Department; Harvey Rose, Budget Analyst; Yomi Agunbiade, Recreation and Park Department.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

ADJOURNMENT

The meeting adjourned at 2:25 p.m.

[Budget Analyst Report]
Susan Hom
Main Library-Govt. Doc. Section

CITY AND COUNTY OF SAN FRANCISCO

SF
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#2
8/20/03

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

August 14, 2003

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AUG 18 2003
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TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: August 20, 2003 Finance and Audits Committee Meeting

Item 1 - File 03-1271

Note: This item has been calendared as a consent item.

Department: Public Utilities Commission (PUC)
Department of Administrative Services, Division of Real Estate (DRE)

Item: Resolution authorizing the Director of Property to grant two easements to the Santa Clara Valley Transportation Authority over City-owned property in the County of Santa Clara under the jurisdiction of the San Francisco Public Utilities Commission; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; adopting findings pursuant to the California Environmental Quality Act; authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution; and ratifying acts and authorizing actions in furtherance of this resolution.

Description: In 1955, the State Department of Transportation (Caltrans) acquired, through condemnation action, an easement over the PUC's aqueduct right-of-way in Milpitas for the Interstate 880. The Santa Clara Valley Transportation Authority (VTA) needs these two easements in connection with its construction of a high occupancy vehicle lane along the western side of Interstate 880 and requests:

- A grant of permanent easement for highway purposes over 10,282 square feet of City-owned land under the

PUC's jurisdiction. This new permanent easement will be adjacent to a previously granted easement and therefore widens the existing Interstate 880 easement area to permit construction of a new high occupancy vehicle lane.

- A temporary easement until May 1, 2005 over 13,706 square feet of land for construction access.

The proposed resolution would authorize the Director of Property to grant these two easements to the VTA for $183,252 (see Comment No. 1).

Comments:

1. Mr. Ken Chopping of DRE advises that the amount of $183,252 comprises:

- $154,000 for the permanent easement for highway purposes over 10,282 square feet of City-owned land under the PUC's jurisdiction (approximately $14.98 per square foot).
- $27,055 for the temporary construction access easement over 13,706 square feet of City-owned land under the PUC's jurisdiction (approximately $1.97 per square foot).
- $2,197 for restoration of PUC land.

2. Mr. Chopping advises that the amount of $183,252 payable by the VTA to the PUC for the two subject easements represents fair market value. Mr. Chopping states that DRE had performed three prior appraisals in comparable Milpitas industrial parks, so was very aware of Milpitas land values. When DRE reviewed the VTA's initial offer of $74,400 for the permanent easement, DRE determined that it was too low. DRE's subsequent determination of a fair market value of $183,252 for the permanent and temporary easements, and related restoration work, was approved by the Santa Clara County Board of Supervisors.

3. Under a right-of-entry permit granted by the PUC in April of 2001, the VTA has already completed construction work related to (a) the relocation of utility lines, and (b) the construction of concrete structures to protect the existing PUC pipelines and to provide for future PUC pipeline construction beneath a new high occupancy lane to be added to Interstate 880. Mr. Chopping advises that the VTA is waiting for Board of Supervisors approval of this subject proposed resolution to obtain the necessary easements

before beginning construction of the high occupancy vehicle lane.

4. According to Mr. Gary Dowd of the PUC, the permanent 10,282 square foot easement has no adverse impact on the PUC's ability to repair, replace, and maintain its underground waterline facilities at that site.

5. According to Mr. Chopping, the Planning Department has determined that the proposed conveyance is in conformance with the City's General Plan and the Eight Priority Policies of the City Planning Code and is Categorically Exempt from Environmental Review.

Recommendation: Approve the proposed resolution.

Item 2 - File 03-1285

Note: This item has been calendared as a consent item.

Department: Public Utilities Commission (PUC)
Department of Administrative Services, Division of Real Estate (DRE)

Item: Resolution authorizing the Director of Property to grant three easements to the State of California Department of Transportation (Caltrans) over City-owned property in the County of San Mateo under the jurisdiction of the San Francisco Public Utilities Commission; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; adopting findings pursuant to the California Environmental Quality Act; ratifying acts and authorizing actions in furtherance of this resolution; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution.

Description: In 1969, the Federal Highway Administration and the State Department of Transportation (Caltrans) proposed the construction of Interstate 280 through the Crystal Springs Watershed lands owned by the City and under the jurisdiction of the PUC, just east of the reservoir. Subsequently, the PUC requested relocation of Interstate 280 further east, away from the reservoir, which added considerable cost to the interstate's construction. In return for this relocation, the City granted the State of California a Scenic and Recreation Easement covering the City's watershed lands east of the Crystal Springs Reservoir. The State constructed a panoramic overlook above Interstate 280, between Route 92 and Edgewood Drive in San Mateo County, together with an access road from Interstate 280 to the panoramic overlook, to provide public access to the new recreation easement area. This access road was closed in 2000 due to earth slippage. To restore public access, Caltrans has installed a second drainage system and replaced the roadbed. Consequently, the PUC is seeking Board of Supervisors approval to:

- Grant the State two permanent drainage easements covering two parcels of land: (a) Parcel 1 is 732 square

feet in size, and (b) Parcel 2 is 1,927 square feet in size, for a total of 2,659 square feet.

- Retroactively grant one temporary easement covering 28,299 square feet of land for construction access (Parcel 3). This temporary easement terminated on April 1, 2003.

The proposed resolution would authorize the Director of Property to grant these three easements to the State Department of Transportation for $2,500.

Comments:

1. Mr. Ken Chopping of DRE advises that the amount of $2,500 to be paid by Caltrans to the City represents fair market value for the three easements, and was determined on the basis of DRE's minimum processing fee of $2,500 which will cover the PUC's administrative costs. Mr. Chopping advises that DRE's evaluation of the proposed easements determined that such easements would:

- Not reduce the value of the City's Crystal Springs Watershed lands.
- Better protect the quality of the Crystal Springs Reservoir waters due to improved drainage facilities.
- Not adversely impact the City's use of those lands.
- Provide a benefit to the City due to the restoration of public access to the panoramic overlook on Interstate 280, between Route 92 and Edgewood Drive in San Mateo County.

Therefore, DRE determined that the DRE's minimum processing fee of $2,500, which will cover the PUC's administrative costs, would be sufficient consideration for the proposed easements.

2. Mr. Gary Dowd of the PUC confirms that both Parcels 1 and 2, consisting of a total of 2,659 square feet of land, are surplus to the PUC's operating needs.

3. The temporary easement covering 28,299 square feet of land for construction access (Parcel 3) terminated on April 1, 2003. Mr. Chopping advises that, in line with customary practice, Caltrans initially secured a right of entry permit from the PUC to perform the necessary construction work ahead of preparation of a formal easement for Parcel 1.

During the course of the construction work, the Caltrans project manager determined that a second drainage collection area was required and installed such a collection area prior to seeking approval for a second easement (Parcel 2). Both the Caltrans and DRE real estate staff were informed of the need for Parcel 2 easement after the second drainage system had been installed. The finalization of revised legal documents and the Planning Department's review of the revised easement proposal have taken longer than anticipated, according to Mr. Chopping, hence the temporary easement for Parcel 3 already expired on April 1, 2003.

4. According to Mr. Chopping, the Planning Department has determined that the proposed conveyance is in conformance with the City's General Plan and the Eight Priority Policies of the City Planning Code, and is Categorically Exempt from Environmental Review.

Recommendations:

1. Amend the proposed resolution to provide for retroactive approval for the temporary easement covering Parcel 3.

2. Approve the proposed resolution as amended.

Item 3 - File 03-1334

Note: This item has been calendared as a consent item.

Department:	Department of Administrative Services (DAS)- Real Estate Asset Management and Planning Division Real Estate Division (RED)
Item:	Resolution authorizing the renewal of an existing lease in a City-owned building at 30 Van Ness Avenue.
Location:	30 Van Ness Avenue
Purpose of Lease:	To provide space for the continued operation of a private optometrist practice
Lessor:	City and County of San Francisco
Lessee:	Irene Koga, O.D. and Daniel Ng, O.D. (Koga and Ng)
No. of Sq. Ft.:	1,496 square feet.
Proposed Rent Payable By Lessee to City:	The proposed rental rate for the 1,496 square feet of space during the first year of the five-year lease period is $2,992 per month, which is $239, or 7.4 percent less than the current rental rate of $3,231 per month. The proposed rental rate would therefore be $2.00 per square foot, per month, or $24.00 per square foot per year, during the first year of the proposed lease renewal. The rental rate would be adjusted on September 1 of each subsequent year in accordance with changes in the Consumer Price Index (CPI).
Utilities and Janitorial Services:	All utilities and janitorial services will be provided by the City at no additional charge to the Lessee.
Term of Lease:	The lease term is five years, commencing on September 1, 2003 or upon approval of the Board of Supervisors. The Lessee may terminate the lease at any time after July 1, 2004 upon providing the City with 180 days notice.
Right of Renewal:	Two five-year options to extend.

Description: The proposed lease renewal between the City and Koga and Ng would authorize Koga and Ng to continue to operate an optometrist office at the City-owned 30 Van Ness Building. Koga and Ng have occupied the 1,496 square feet of space since September 2, 1996 under a lease with the prior building owner, The Herbst Foundation, Inc. That lease expires on August 31, 2003.

Comments:

1. The subject 30 Van Ness Building was purchased by the City in October of 2001. The building has 180,939 square feet of space. The Attachment, provided by the RED, contains (a) a list of all the occupants, (b) the number of square feet occupied, (c) the rental rate per month and (d) the monthly rental rate per square foot. According to Mr. Charlie Dunn of the RED the entire 180,939 square feet of rentable space at the 30 Van Ness Building is occupied.

2. According to Mr. Ken Chopping of the RED, under the existing lease, the rent was increased in accordance with adjustments to the CPI, reaching the current rental rate of $3,231 per month. Mr. Chopping notes, however, that the present fair market rent for the subject premises at 30 Van Ness Avenue is $2,992 per month.

3. Mr. Dunn reports that the rental payments the City receives from Koga and Ng under the proposed lease renewal would be placed in a special fund to service the debt on the Certificates of Participation (COPs) that were issued to purchase the 30 Van Ness Building at a cost of $37,665,000.

Recommendations: Approve the proposed resolution.

30 VAN NESS OCCUPANCY RENTAL INCOME

Department	Floor(s)	Sq.Ft.	Rate Sq.Ft.	2003-04 Rent
DPW-BSM	4th & 5th	3,106	$ 1.84	$ 5,715
DPW-GEN.	4th & 5th	8,039	1.84	14,792
DPW-BOA	4th & 5th	30,777	1.84	56,630
DPW-BOE	4th & 5th	42,108	1.84	77,479
DPW-BOA (formerly Sheriff's)	3rd	1,347	1.84	2,478
Ethics Commission	3rd	2,998	1.84	5,516
Human Res. (Work. Comp.)	3rd	11,563	1.84	21,276
Retirement	3rd	19,814	1.84	36,458
Police	2nd	1,418	1.84	2,609
Human Services (GAIN Prog.)	2nd, Grd. (50 Van Ness	8,524	1.84	15,684
Public Health	2nd, Grd. (90 Van Ness)	34,467	1.84	63,419
DPW (formrly Merriman space)		429	1.84	789
Totals, City Tenants		*164,590*		*$302,846*
Non-City Tenants				
Koga, Irene & Ng, Daniel	34 Van Ness	1,100	2.94	3,231
Boston Deli	28 Van Ness	761	1.97	1,500
Van Ness Keno Ice Cream	24 Van Ness	558	3.14	1,752
Rite Aid	1492 Market	3,451	2.07	7,152
Rite Aid	10 Van Ness	9,321	2.08	19,419
Merriman, Dwight	2nd Floor			
Herbst Foundation	3rd Floor	1,158	3.00	3,478
Parking (Various)				1,800
Totals, Non-City Tenants		*16,349*		*$38,332*
GRAND TOTALS		*180,939*		*$341,178*

Item 5- Files 03-1332

Department:	Department of Administrative Services- Real Estate Division (RED) Emergency Communications Department (ECD)
Item:	Resolution authorizing a renewal of an existing City-wide 800 MHz Radio System license agreement between the City, as licensee, and the Federal Department of Veterans' Affairs, as licensor, to house ECD transmitting and receiving equipment, including the trunked radio equipment, wireless data transmission system, two six-foot microwave dishes and three 800 MHz antennas, at 4150 Clement Street. The 800 MHz Radio System provides radio communications for the City's public safety departments.
Location:	4150 Clement Street.
Purpose of License Agreement:	To provide 360 square feet for a communications equipment room for one of the ECD's eight sites for transmitting and receiving equipment of the City-wide 800 MHz Radio System. A list of the subject 4150 Clement Street site and seven other existing sites, including location, number of square feet, term of the lease, or license agreement, and monthly rent paid by the ECD is shown in Attachment I.
Licensor:	Federal Department of Veterans' Affairs (VA), acting on behalf of the Veterans' Affairs Medical Center.
Licensee:	City and County of San Francisco, on behalf of the Emergency Communications Department (ECD), through the Real Estate Division.
Term of License Agreement:	Ten years, commencing retroactively on April 1, 2003, and terminating on March 31, 2013.
Right of Renewal:	Two additional five-year options with rent adjusted to the prevailing market rate at the time of exercising each five-year option (see Comment No. 1).

Monthly and Annual Rent Payable by the City to Lessor: The City had a license agreement to locate transmitting and receiving equipment, including the trunked radio equipment, wireless data transmission system, two six-foot microwave dishes and three 800 MHz antennas, at 4150 Clement Street for the period of April 1, 1998 to March 31, 2003. The rent under this previous license agreement between the VA and the City at 4150 Clement Street, which expired on March 31, 2003, is $1,642 per month. The rent payable by the City to the VA, in Year 1 of the proposed new ten-year license agreement renewal would increase by $1,358 per month, or 82.7 percent, from the current rate of $1,642 to $3,000 per month. Under the proposed license agreement renewal, the rent would increase by three percent in each of the following nine years of the ten-year term.

Source of Funds: General Fund monies appropriated by the Board of Supervisors in the ECD's annual budget.

Utilities: The City pays the cost of electricity supplied to transmitting and receiving equipment by the VA. The estimated monthly cost of electricity during the first year of the proposed license agreement is $700.

Description: The proposed resolution would authorize the renewal of a license agreement between the City and the VA, allowing the ECD to continue to use a 360 square foot enclosure at the VA Medical Center to house transmitting and receiving equipment and the placement of two six-foot microwave dishes and three 800 MHz antennas that is part of the City-wide 800 MHz Radio System on property owned by the VA. As previously noted, the 800 MHz Radio System provides radio communications for the City's public safety departments. The 800 MHz equipment includes the trunked radio equipment, wireless data transmission system, two six-foot microwave dishes and three 800 MHz antennas. The proposed license agreement renewal would be in effect retroactively from April 1, 2003 to March 31, 2013.

Comments:

1. The ECD would be able to renew the subject agreement for two additional five-year terms. Mr. Jerry Romani of the RED reports that the ECD is required to notify the VA 120 days prior to the expiration of the subject agreement of its intent to renew the license agreement for an additional five-year term. Mr. Romani advises that the VA and the ECD would negotiate the monthly rental rate that would be paid by the City to the VA during each of the five years of the additional five-year term in accordance with the fair market rent for other transmitting and receiving equipment spaces in the vicinity.

2. Mr. Romani reports that the provisions of the prior five-year license agreement between the City and the VA, from April 1, 1998 to March 31, 2003, allowed for an annual rental rate adjustment in accordance the Consumer Price Index (CPI). The initial monthly rent was $1,400. Mr. Romani reports, that the VA did not require any CPI adjustments during that five-year period until April 1, 2002, at which time the rent was increased from $1,400 per month ($16,800 annually) to $1,642 per month ($19,704 annually), an increase of 17.3 percent. As previously noted, the proposed rent beginning on April 1, 2003 would be $3,000 per month ($36,000 annually), an increase of $1,358 per month over the current rate of $1,642 per month or an increase of 82.7 percent.

3. Mr. Romani advises that the proposed rental rate for the first year of the proposed license agreement renewal of $3,000 per month falls within the range of fair market value for such license agreements. Mr. Romani further advises that the rental rates for sites to house communications equipment have been increasing throughout the City. Attachment II is a memorandum from Mr. Romani explaining why an 82.7 percent increase in the rental rate is justified and explaining the basis of the three percent increase in each of the nine years of the proposed license agreement.

4. As noted above, the existing license agreement expired on March 31, 2003. Mr. Romani reports that the VA has extended that license agreement with the ECD on a

month-to-month basis and the City continues to pay the prior rental amount of $1,642 per month. The proposed license agreement would be retroactive to April 1, 2003, including the new rental rate of $3,000 per month. The resolution should, therefore, be amended to provide for retroactivity.

Recommendations:

1. In accordance with Comment No. 4, amend the proposed resolution for retroactivity.

2. Approve the proposed resolution, as amended.

800 MHz Radio System Facilities

Landlord/Licensor/Owner	Situs	Term	Rent	Sq.Ft. Area	Comments
American Tower Corp. (Licensor)	99 Moultrie St.	3/1/98-2/28/03*	$1,356.50/mo.	408 sf	A total of 19 antennas, utilized by the 800 MHz radio system, DPW, Water, Police and Health, are at this site. 10 of the antennas are rent free as a result of a Final Order of Condemnation. *License automatically renews annually subject to funding availability.
City of Daly City (Landlord)	Alta Vista Way, Daly City	3/30/98-3/29/08 plus four 5-yr. options	$0	350 sf	In lieu of rent, City prepaid $197K in tenant imps. for Daly City (portion of shelter, tower, generator, site prep, etc.)
City & Co. of S.F.	1 Christmas Tree Point Rd.			3,000 sf *	Known as Central Radio System and under the jurisdiction of DTIS; *area utilized by City public safety departments, DPW and Muni.
City & Co. of S.F.	10th & Mendosa Aves.	6/30/97-6/29/17	Max. of $1/yr.	300 sf *	MOU between PUC and DTIS (now ECD); DTIS installed a new enclosure, 100-ft. tower and emergency generator, and ADA alterations, at its cost (approx. $600K). *Includes area shared by public safety departments, Muni and DPW.
Pinnacle Towers, Inc. (Licensor)	1250 Jones St.	2/1/99-1/31/09 plus two 5-yr. options	Yrs. 1-5: $4,825/mo. 6-10: $5,790/mo. 11-20: Undetermined	182 sf	
S.F. State University (Landlord)	1600 Holloway Ave.	4/1/98-3/31/18	$270K prepaid	441 sf	
Dept. of Veterans Affairs (Licensor)	4150 Clement St.	4/1/03-3/31/13 plus two 5-yr. options	$3,000/mo. for Yr. 1 w/ a 3% escalation for Yrs. 2-10	360 sf	
EOP-One Market, LLC (Landlord)	One Market Plaza	5/1/98-4/30/08 plus two 5-yr. options	$55,816.44/yr. with a CPI adjustment each May 1st	350 sf	

City and County of San Francisco

Real Estate Division
Administrative Services Department

Attachment II

MEMORANDUM

August 14, 2003

TO: Salvador Sanchez
Budget Analyst's Office

FROM: Jerry Romani
Principal Real Property Officer

SUBJECT: Justification of Rental Rate for License Agreement
At the VA Medical Center, 4150 Clement Street

Through out the neighborhoods of San Francisco rental rates for cell sites have increased. When we entered into negotiations with the VA for renewal of the subject license agreement the VA requested a rental rate greater than $4,000 per month with a flat 4% increase annually. The VA later insisted on $4,000 per month with the same 4% annual increase. As a result of the downturn in the economy and budget cuts, the VA was looking at any and all resources to increase revenues to supplement their budget. We negotiated the rent down to $3,000 per month. Also, even though we were unsuccessful in obtaining an annual increase based upon any change in the CPI, we were able to reduce the annual rent increase from 4% to 3%. Given the location and coverage of the subject facility provides, we believe the rental rate of $3,000 per month falls within the range of fair market value.

(415) 554-9850
FAX: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, 94102

Item 8 – File 03-1253

Department: Department of Administrative Services- Convention Facilities Management (CFM)

Item: Resolution concurring with the Controller's certification that Convention Facilities management, operation and maintenance services can continue to be practically performed at the Bill Graham Civic Auditorium and the Moscone Center by a private contractor for a lower cost than similar work performed by City and County employees.

Services to be Performed: Convention facilities management, operation and maintenance

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work performed by City employees.

The Controller has determined that contracting for convention facilities management, operations and maintenance services at the Bill Graham Civic

Auditorium and Moscone Center for FY 2003-2004 would result in the estimated savings as follows:

City Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$11,689,518	$13,308,601
Fringe Benefits	2,609,556	2,738,585
Total	14,299,074	16,047,186
Contractual Services Costs	12,187,480	12,187,480
Estimated Savings	$2,111,594	$3,859,706

Comments:

1. Under an outside contract, the Moscone Joint Venture, consisting of SMG and Thigpen Limited, Inc., manages, operates and maintains the Bill Graham Civic Auditorium and Moscone Center, including the new Moscone Center West. Specifically, the Moscone Joint Venture's responsibilities include: (1) contracting with others for their use of the convention facilities; (2) promoting the use of the convention facilities; (3) conducting event management activities; and (4) maintaining the convention facilities and the equipment therein.

2. Convention facilities management, operation and maintenance services at the Bill Graham Civic Auditorium and Moscone Center were first certified as required by Charter Section 10.104 in FY 1982-1983 and have been contracted out continuously since then. According to Mr. John Noguchi of the Department of Administrative Services' Convention Facilities Management (CFM), SMG, the private facility management company charged with operating the City's convention facilities, has been the contractor for these services since the Moscone Center opened in 1981. In 1993, SMG partnered with Thigpen Limited Inc., a minority business enterprise, creating the Moscone Joint Venture.

3. Mr. Noguchi reports that the DAS awarded a five-year contract for the provision of convention facilities

management, operations and maintenance services at the Bill Graham Civic Auditorium and Moscone Center to Moscone Joint Venture, effective July 1, 1999. The proposed resolution would approve the Controller's certification for the fifth year of the five-year contract, from July 1, 2003 to June 30, 2004.

4. The Contractual Services Costs used for the purpose of this analysis is the Moscone Joint Venture's projected FY 2003-2004 costs to provide convention facilities management, operation and maintenance services.

5. The Contractual Services Costs of $12,187,480 for FY 2003-2004 is $1,309,409 or approximately 12 percent more than the FY 2002-2003 cost of $10,878,071. Attachment I to this report is a memorandum from Mr. Noguchi explaining that the increase in the contractual services costs is due to the opening and operation of Moscone Center West.

6. The Controller's supplemental questionnaire, with the Department's responses, is included as Attachment II to this report.

Recommendation: Approve the proposed resolution.

City and County of San Francisco **San Francisco Convention Facilities**

Willie Lewis Brown, Jr.
Mayor

Jack Moerschbaecher
Director

August 8, 2003

Mr. Salvadore Sanchez
Budget Analyst's Office
San Francisco Board of Supervisors
1390 Market Street, Suite 1025
San Francisco, CA 94102

Re: **Contractual Service Cost Summary - Fiscal Year 2003-2004**
Convention Facilities Management, Operation and Maintenance Services

Dear Salvadore,

Following is a comparison of fiscal year 2002-2003 and 2003-2004 Contractual Service Costs for convention facilities management, operation and maintenance services at the Moscone Center and Bill Graham Civic Auditorium.

	2002-2003	2003-2004	%
Contractual Service Costs	10,878,071.00	12,187,480.00	12.04
Number of Positions	185	234.5	

As the above table illustrates, Contractual Service Costs increased 12% for fiscal year 2003-2004 due to additional personnel hired for the opening and operation of Moscone Center West. The new facility, with over 300,000 square feet of exhibition and meeting space, officially opened in July 2003 and is in full operation with dozens of conventions booked for the fiscal year. Positions have been hired in the following divisions: Operations, Housekeeping, Event Management, Security and Traffic Control.

Please let me know if I can provide any further information.

Sincerely,

John T. Noguchi
Deputy Director
Convention Facilities Management

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Convention Facilities Management (Administrative Services)

CONTRACT SERVICES: Operations

CONTRACT PERIOD: July 1, 2003 – June 30, 2004

(1) Who performed the activity/service prior to contracting out?

City

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

Employees went to work for the contractor.

(4) What percentage of City employees' time is spent of services to be contracted out?

0%

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

22 Years

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

1982-1983. Yes.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Contractor is a joint venture with a minority principal.

(8) Does the proposed contractor provide health insurance for its employees?

Yes

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Yes.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Yes.

Department Representative: John Noguchi

Telephone Number: 974-4027

Item 9 – File 03-1270

Department: Municipal Transportation Agency (MUNI)

Item: Resolution concurring with the Controller's certification that paratransit services for the Municipal Transportation Agency can continue to be practically performed by a private contractor at a lower cost than by City and County employees.

Services to be Performed: Paratransit Services

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

Paratransit Services provide door-to-door transportation services for persons with disabilities. This is accomplished through four modes of transportation, including taxis, ramp taxis, lift vans, and group vans, which cover a service area within geographic boundaries of the City and County of San Francisco, small portions of northern San Mateo County (those areas within ¾ mile of Muni and Bay Area Rapid Transit (BART) routes that run from San Francisco to the Daly City BART station) and Treasure Island. Paratransit Services are intended to provide services to the same areas of service provided by Muni.

The Controller has determined that contracting for the paratransit services for FY 2003-2004 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$11,778,318	$15,401,875
Fringe Benefits	4,458,495	4,980,147
Capital and Operating Expenses	3,904,917	3,904,917
Total	$20,141,730	$24,286,939
Contractual Services Costs	$20,105,262	$20,106,849
Estimated Savings	$36,468	$4,180,090

According to Mr. Joe Matranga of the Controller's Office, the highest salary step is $3.6 million more than the lowest salary step due largely to an unusually wide salary range for Transit Operators.

Comments:

1. Paratransit Services were first certified, as required by Charter Section 10.104, in 1984 and have been provided by an outside contractor since that time.

2. Ms. Annette Williams of Muni reports that Paratransit Services has been provided by ATC/Intelitran, a private contractor, since April of 2000. The Muni selected ATC/Intelitran for a five-year contract through a Request for Proposal (RFP) process, previously approved by the Board of Supervisors (File No. 00-0045). Ms. Williams reports that the five-year contract with ATC/Intelitran expires on March 31, 2005

3. The Contractual Services Costs used for the purpose of this analysis is the contractor's estimate of the costs to provide paratransit services for FY 2003-2004.

4. The Contractual Services Costs of $20,106,849 for FY 2003-2004 is $1,993,452 or 11.0 percent more than the FY 2002-2003 cost of $18,113,397. According to Mr. Matranga, the $1,993,452 increase in Contractual

Services Costs is a result of a projected increase in demand for services in FY 2003-2004.

5. The Controller's supplemental questionnaire with the Department's responses is attached to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Municipal Transportation Agency

CONTRACT SERVICES: Paratransit

CONTRACT PERIOD: 07/01/03 – 06/30/04

(1) Who performed the activity/service prior to contracting out?

The paratransit service has always been contracted out.

(2) How many City employees were laid off as a result of contracting out?

None.

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

20% of one full-time equivalent contract administrator plus 3 hours per month of a 1630 Accountant.

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Twenty-three years. Likely to be an on-going request for contracting out.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

FY 1983-84. Yes, it has been certified every year it has been submitted.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

The contract had a DBE goal of 40%.

(8) Does the proposed contractor provide health insurance for its employees?

Yes, the contract requires health insurance for employees.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Yes, the contractor provides benefits to employees with spouses and domestic partners.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Yes, the contractor meets the provisions of the Minimum Compensation Ordinance.

Department Representative: Annette Williams
Telephone Number: 923-6142

Item 10 - File 03-1274

Department: Recreation and Park Department (REC)

Item: Ordinance making environmental findings and amending the San Francisco Park Code by adding Section 12.34 to revise the admission fees for the Conservatory of Flowers.

Description: Following an eight-year closure to permit restoration (December of 1995 to September of 2003), the Conservatory of Flowers in Golden Gate Park is due to reopen on September 20, 2003. Under this proposed ordinance, admission fees to the Conservatory of Flowers when the facility opens on September 20, 2003 will be as follows:

Age Category	Existing Admission Fees	Date Fees Were Last Revised by the Rec & Park Commission	Proposed Admission Fees Under Subject Ordinance	Fee Increase	Percentage Increase in Admission Fees
Adults	$1.50	1989	$5.00	$3.50	233.3 %
Seniors aged 65 and over	$0.75	1989	$3.00	$2.25	300.0 %
Youth aged 12 – 17	$0.75	1989	$3.00	$2.25	300.0 %
Children aged 5 – 11	$0.75	1989	$1.50	$0.75	100.0 %
Children aged 4 and under	No Charge	-	No Charge	-	-
San Francisco school groups	No Charge	-	No Charge	-	-

In addition to the "No Charge" categories listed in the table above, the Conservatory of Flowers will be open to all visitors without charge one day each month and on sponsored special event days. Mr. Scot Medbury of REC advises that such free days guarantee economically disadvantaged visitors aged five years or more access to the Conservatory of Flowers (as noted in the table above, children aged four years or younger, and San Francisco school groups, can already enter without charge under the proposed fee schedule). Previously, the Conservatory of Flowers had been free of charge to all visitors on the first

Wednesday of each month, and on Easter, Memorial Day, July 4, Labor Day, Thanksgiving, and Christmas. Mr. Medbury advises that the Conservatory of Flowers will no longer automatically be open without charge on the first Wednesday of each month, and on those six specific holidays. Also, in the past, admission during the last hour of each day was free to all visitors. Mr. Medbury advises that this practice would not continue under the proposed fee schedule.

Comments:

1. The existing admission fees, as shown in the table above, were previously set by the Recreation and Park Commission. They were not subject to Board of Supervisors approval. Mr. Medbury advises that the proposed admission fees, which were developed with the assistance of an outside consultant, Dean Runyan Associates, have been approved by the Recreation and Park Commission. Mr. Medbury advises that park operations consultant Ann Ziolkowski is assisting REC with the development of a schedule of fees to be charged to persons who want to rent the Conservatory of Flowers for special events. As stated in Attachment I, a memorandum provided by Mr. Medbury, rental fees for special events have not yet been set. Mr. Medbury advises that REC intends to seek Board of Supervisors approval for a schedule of rental fees for special events in time for implementation of the approved fees on January 1, 2004.

2. Attachment I also contains the following information:

- When the Conservatory of Flowers will be open without charge.
- The total number of visitor admissions in CY 1995, the last full year of operation under the existing fee levels. Ms. Mary King-Gorwky of REC advises that the total admission fee revenues for the Conservatory of Flowers in FY 1994-1995 was $146,479.
- The projected CY 2004 total admission fee revenues if the proposed fees are approved. As shown in Attachment I, the projected total admission fee revenues of $467,839 for CY 2004, based on the admission of 165,000 visitors and the proposed

admission fee increases which would generate an additional $321,360 annually, represents an increase of approximately 219.4 percent more than the total FY 1994-1995 admission fee revenues of $146,479.

- The projected total admission fee revenues each year from CY 2005 ($491,231) through 2010 ($686,204), and the basis for these estimates.

3. Attachment II, provided by Mr. Medbury, contains a list of fees charged by selected conservatories. Mr. Medbury advises that presently there are no comparable botanical conservatories in the Bay Area or in the State of California.

4. According to Ms. Margaret McArthur of REC, the admission fee schedule will be amended in the future according to the provisions of San Francisco Park Code Section 12.20 which allows for an annual Consumer Price Index (CPI) adjustment.[1] The first such annual CPI adjustment will occur in 2006.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

[1] San Francisco Park Code Section 12.20 states, "Beginning with fiscal year 2003-2004, fees ... may be adjusted each year, without further action by the Board of Supervisors, to reflect changes in the relevant Consumer Price Index, as determined by the Controller."

Memo to Finance and Audits Committee, August 20, 2003
Attachment I.
Supplementary Information on Conservatory of Flowers admission and rental fees

1. **Rental Fees for Special Events**

Park Operations consultant Ann Ziolkowski is presently assisting with the development of a proposed schedule of fees for when the Conservatory of Flowers is rented for special events. The proposed schedule will be brought first to the Recreation & Park Commission and then to the Board of Supervisors for approval. No existing rental fees are currently in place.

2. **Free Admission Days**

The Conservatory of Flowers will be open without charge one day each month and on sponsored special event days. The Friends of Recreation and Parks are currently negotiating corporate sponsorship for such free days. Conservatory of Flowers staff are currently evaluating whether a Tuesday, as the most likely off-peak day, would be the best option for the free day. Conservatory of Flowers staff assume that it is not advantageous to have the same free day as the California Academy of Sciences and the De Young Museum because visitors to those institutions on their free days might be willing to pay to visit the Conservatory of Flowers.

3. **CY 1995 Total Admission Fee Revenues**

During CY 1995, the last year in which the Conservatory of Flowers was open, the Conservatory of Flowers was visited by 108,744 people. The total admission fee revenues in FY 1994-1995 were $146,479.

4. **Projected CY 2004 Total Admission Fee Revenues**

The Department estimates that the proposed schedule of admission fees will generate $467,839 in CY 2004, an increase of 219% percent over CY 1995 total admission fee revenues of $146,479.

Under the proposed ordinance, the Department is re-establishing a schedule of admission fees for the Conservatory of Flowers, which has been closed for eight years. While the new admission fee levels represent considerable percentage increases over the admission fee levels charged eight years ago, they appear reasonable in relation to the admission fees charged elsewhere for comparable conservatories. With the installation of a $4,000,000 exhibit program, the quality of the Conservatory

Conservatory of Flowers
Golden Gate Park
San Francisco, CA 94117

Phone: (415) 666-7077

5. Projected Total Admission Fee Revenues CY 2005 Through CY 2010

	2005	2006	2007	2008	2009	2010
Non-school attendance	173,520	181,913	191,008	200,559	210,586	221,116
Admissions revenue	$491,231	$515,793	$541,582	$622,407	$653,527	$686,204

As shown above, the Department estimates that the proposed admission fees would generate CY 2005 revenues of $491,231 based on the admission of 173,520 visitors, increasing to $541,582 in CY 2007 based on the projected admission of 191,008 visitors, and to $686,204 in CY 2010 based on the projected admission of 221,116 visitors. These projections are based on (a) an average visit length of 50 minutes and a peak-period building capacity of 250 visitors, (b) a changing exhibit program that generates return visitation, and (c) an effective and well-supported marketing program which fosters an expanded number of visitors.

Memo to Board of Supervisors Finance and Audits Committee, August 20, 2003
File 03-1274, Attachment II.
Attendance and Admission Fee Statistics for Selected North American Conservatories

Facility	Location	Size (Sq. Ft)	Annual Attendance	Adult Fees	Youth/ Child Fees
Fuqua Conservatory	Atlanta, GA	31,000	200,000	$10.00	$7.00
Franklin Park Conservatory	Columbus, OH	-	192,000	$6.50	$5.00
Phipps Conservatory	Pittsburgh, PA	-	182,000	$6.00	$4.00
Conservatory of Flowers	San Francisco, CA	12,000	165,000 (est.)	$5.00	$3.00 / $1.50
Mitchell Park Conservatory	Milwaukee, WI	45,000	215,000	$4.50	$3.00
Crystal Bridge	Oklahoma City, OK	16,600	90,000	$4.00	No fee
Steinhardt Conservatory	Brooklyn, NY	44,000	757,000	$3.00	$1.50
Bloedel Floral Conservatory	Vancouver, BC	15,386	119,000	$2.80	$2.01
Como Park Conservatory	St. Paul, MN	25,000	370,000	$1.00	$0.50
Bolz Conservatory	Madison, WI	10,000	220,000	$1.00	No fee 0-5
Gardens Under Glass	Buffalo, NY	-	65,000	No fee	No fee

Source: Dean Runyan Associates, 2003

Item 11 - File 03-03-1399

Note: This item was added to the August 20, 2003 Finance and Audits Committee Agenda in order to accommodate a request from the Recreation and Park Department to expedite the proposed ordinance due to environmental concerns. Consequently the Budget Analyst has not had the opportunity to perform a detailed review of the proposed ordinance or the related capital improvement project.

Department: Recreation and Park Department (RPD)

Item: Ordinance authorizing the Recreation and Park Department to negotiate and enter into a sole-source contract with Aquatic Environments, Inc., to dredge Stow Lake and Spreckels Lake, install aeration and circulation equipment and repair the lake edge.

Amount: $1,900,000

Source of Funds: General Obligation Bond Funds – 1992 Golden Gate Park Improvement Bonds (See Comment 1).

Description: As part of the Capital Improvement Program to improve Golden Gate Park funded by the 1992 Golden Gate Park Improvement Bonds, the proposed project would dredge Stow Lake and Spreckels Lake, two man-made lakes in Golden Gate Park. The proposed project would install aeration and circulation equipment and repair the Lake edges and construct related improvements to the two lakes.

The dredging and other improvements to Stow Lake and Spreckels Lake is to address the build up of sediment in the two lakes which have compromised the water quality and have caused the growth of algae. According to Mr. Yomi Agunbiade, Capital Program Manager for the Recreation and Park Department, the project is designed to a) improve water quality, b) reduce the possibility of fish death due to lack of oxygen and, c) improve and increase access for recreational activities. The project will also provide required American's with Disabilities Act (ADA) accessible parking spaces, and paths and curb ramps to improve ADA required access to the boathouse and foot paths around Stow Lake.

Because Stow Lake has become a nesting and breeding area for Great Blue Herons, RPD proposes to commence work on October 1, 2003 and complete work no later than January 1, 2004, when the nesting season for Great Blue Herons begins, according to Mr. Agunbiade.

As stated in the Attachment to this report,

> The State of California Department of Fish and Game, together with May & Associates, Inc. our biologist on the project, have determined that due to the sensitive nature of the habitat, "lake dredging should be conducted from the water to minimize impacts to fish and wildlife".

Therefore, in order to meet the determination of the State of California Department of Fish and Game to perform dredging from the water surface of the two lakes, the RPD has concluded that the dredging can only be performed using specialized equipment known as an "Aquamog". An Aquamog is a multi-purpose dredge unit that can operate from the surface of shallow water. According to Mr. Agunbiade, there is only one construction firm in the Western United States that owns such equipment, Aquatic Environments, Inc. Mr. Agunbiade states in the attached memorandum that RPD is currently advertising in an attempt to find other firms to compete for the proposed project, but has not received any responses and does not expect to receive responses by the time advertising ends on August 18, 2003. The Attachment to this report, provided by Mr. Agunbiade, provides further details concerning the project and the need for RPD to award a sole-source contract for the construction work pertaining to this project.

The Attachment to this report includes a project budget of $1,900,000 for the proposed improvements to Stow Lake and Spreckels Lake. The budget is comprised of construction costs of $1,500,000 and project management, design and engineering, and related costs of $400,000. The Attachment also includes the RPD's original detailed estimate of $1,599,596 for the construction phase of the project. According to Mr. Agunbiade, Aquatic

Environments, Inc. has agreed to serve as General Contractor for all work at a not-to-exceed price of $1,500,000.

Comments:

1. In June of 1992, the San Francisco voters approved $76,300,000 of General Obligation Bonds (Golden Gate Park Improvement Bonds, 1992) for the reconstruction of Golden Gate Park's utilities and infrastructure. Currently, a total of $2,910,496 in such bond funds previously appropriated by the Board of Supervisors remains unexpended. The 1992 Golden Gate Park Improvement Bond fund also has an unappropriated balance of $838,498 in bond interest earnings. This proposed $1,900,000 project for capital improvements to Stow Lake and Spreckels Lake would be funded from the previously appropriated, but unexpended General Obligation Bond funds.

2. As explained in the Attachment, RPD's schedule for project completion is as follows:

August 26, 2003:	Presentation of Final Contract Documents
October 1, 2003:	Notice To Proceed
Construction Duration:	3 Months (90 Calendar Days)

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City and County of San Francisco **Recreation and Park Department**

DATE: August 11, 2003

TO: Ken Bruce, Budget Analyst

FROM: Yomi Agunbiade, Capital Program Manager

RE: Stow Lake & Spreckles Lake Rehabilitation
Updated August 14, 2003

Project/Request

The Recreation and Park Department, is requesting authorization to negotiate and enter into a sole source contract with Aquatic Environments, Inc., Alamo, California, to dredge and rehabilitate Stow and Spreckles lakes, install aeration and circulation equipment and repair the Lake edge and to provide accessibility improvements in and around the boathouse and parking area at Stow Lake. The project will improve water quality, reducing the possibility of fish death due to lack of oxygen and improve/increase lake access for recreational activities. The project will also provide ADA accessible parking spaces, regarding of paths and curb ramps to improve access to the boathouse and paths around stow lake.

Sole Source Justification

The State of California Department of Fish and Game, together with May & Associates, Inc. our biologist on the project, have determined that due to the sensitive nature of the habitat, "lake dredging should be conducted from the water to minimize impacts to fish and wildlife". Based on this determination, the department sought information about capable contractors with the appropriate equipment from other municipalities with similar work. Our investigation, lead to Aquatic Environments, who own, the only water-based dredgers (or Aquamog) on the west coast. The Santa Cruz City Council in April 2003 adopted a resolution authorizing the City Manager to enter into a sole source contract with Aquatic Environments, Inc. for the Neary Lagoon Tules Removal Project. The department is placing a notice in the Independent and on the purchaser's website, seeking responses from any contractor owning or in possession of at least three Aquamog lake dredging machines. The notices will expire on August 18, 2003 however based on the research completed by Department of Public Works' contracting office we do not anticipate any responses.

Additionally, to avoid negative impacts to a rare nesting colony of Great Blue Heron in and around Stow Lake, construction activities must be completed between September and January 1, 2004. Moving the project forward now will allow for its completion during this short window and greatly improve recreational access in preparation for the spring and summer seasons of 2004.

Capital Division
30 Van Ness Avenue 5th Floor
San Francisco, CA 94102

Phone: (415) 581-2559
Fax: (415) 581-2540

Budget/Funding

The Department's design consultant Royston Hanamoto Alley & Abbey prepared a construction estimate of $1,500,000 based on the proposed scope of work. Aquatic Environments, Inc. has agreed to complete the project for a not to exceed amount of $1,500,000. Design and Construction Management fees are $400,000 for a total project cost of $1,900,000. The project budget is further detailed below.

$1,900,000 has been set aside from the 1992 Golden Park Improvements Bond Interest earnings, to fund lake restoration at Stow and Spreckles lakes.

Stow Lake & Spreckles Lake Rehabilitation
Updated August 14, 2003

Budget Detail

Project Budget		% Const.
1. **CONSTRUCTION, PURCHASE, & INSTALLATION** Includes construction contract, 10% construction contingency; and fixed equipment. Amount currently negotiated with the general contractor Aquatic Environmentals, Inc. (AEI). *See below for breakdown of consultant construction estimate, which was the basis of staff negotiations with general contractor.*	$ 1,500,000	100.0%
2. **DPW PROJECT MANAGEMENT-Planning and Design** Management of the project scope, schedule and budget from initiation to Notice to Proceed; monitoring of project funds, revenue and expenditures; management of design and construction contracts; appropriations assistance; and reporting to Client.	$ 6,000	.4%
3. **REPRODUCTION**	$ 4,000	0.3%
4. **ACCESSIBILITY REVIEW**	$ 2,500	0.2%
4. **BOE CONTRACT ADMINISTRATION FEE**	$ 4,700	0.3%
5. **LANDSCAPE ARCHITECTURAL/ENGINEERING SERVICES-Planning and Design** Landscape Architectural and Civil Engineering services by *As-Needed Consultants.* Meeting attendance. Construction Drawing reviews at 75% and 95%. *See Attached Contract Service Orders.*	$ 144,481	9.6%
6. **CONSTRUCTION MANAGEMENT & RELATED SERVICES** Includes basic CM services as well as in-field reviews and confirmation of proposal requests. Work to be performed by DPW, Bureau of Construction Management staff.	$ 212,319	14.1%
7. **DPW PROJECT MANAGEMENT-Construction Review** Management of the project scope, schedule and budget from award to post-construction; monitoring of project funds, revenue and expenditures; management of design and construction contracts; appropriations assistance; and reporting to Client.	$ 16,000	1%
8. **LANDSCAPE ARCHITECTURAL/ENGINEERING SERVICES-Construction Review** Landscape Architectural and Civil Engineering services by *As-Needed Consultants.* Progress Meeting attendance as needed. Review of proposal requests.	$ 10,000	.6%
10. **TOTAL PROJECT BUDGET**	$ 1,900,000	126.6%

Construction Budget *(Prepared by As-Needed Consultant)*

STOW LAKE

1.	**BOATHOUSE**	
A.	Mobilization and Setup	4,200
B.	Site Preparation and Demolition	23,798
C.	Earthwork and Grading	6,411
D.	Paving Treatments	36,156
E.	Accessibility Improvements	18,934
	BOATHOUSE SUBTOTAL	**$89,499.00**
2.	**LAKE REHABILITATION**	
A.	Mobilization and Setup	43,000
B.	Site Preparation and Demolition	693,107
C.	Lake Edge Rehabilitation	91,824
D.	Lake Mechanical Systems	77,000
E.	Paving Treatments	47,096
F.	Accessibility Improvements	6,770
G.	Lake Add Alternates	284,400
	LAKE REHABILITATION SUBTOTAL	**$1,243,197.00**
	Stow Lake Total	**$1,332,696.00**

SPRECKLES LAKE

1.	**LAKE REHABILITATION**	
A.	Mobilization and Setup	10,000

B.	Site Preparation and Demolition	91,300
C.	Lake Mechanical Systems	74,400
D.	Lake Add Alternates	91,200
	SPRECKLES LAKE SUBTOTAL	**$266,900.00**

TOTAL CONSTRUCTION ESTIMATE	**$1,599,596.00**

Project Schedule

The project has dredging at both lakes with surface improvements occurring at Stow Lake. The construction duration is set at 90 calendar days. Dredging is estimated to take approximately 70 calendar days at Stow Lake and 42 calendar days at Spreckels.

We plan to issue NTP no later than October 1, 2003, subject to Board of Supervisor approval of a sole source contract.

June 10, 2003	Presentation of 75% completed construction documents
July 26, 2003	Presentation of 95% completed construction documents
August 26, 2003	Presentation of Final Contract Documents
October 1, 2003	Notice To Proceed
Construction Duration	3 Months (90 Calendar Days)

Attachments *(Via Fax)*

I.	Department of Fish Game Letter (1-Page)
II.	Aquatic Environments, Inc. Letter (1-Page)
III.	Santa Cruz City Council – Sole Source Authorization April 22,2003 (1-Page)
IV.	As-Needed-Consultant (Royston Hanamoto, Alley & Abbey) Service Order Proposal. Service orders are based on a 2 year master contract with agreed on hourly rates, and reimbursable. (2-Pages)
V.	Document 00520 Agreement Form, to be executed between the City and Aquatic Environmentals, Inc. after board approval. (4-Pages)

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